Risk Based Management Control Logics Meet Geopolitics: A Case Study from Egypt

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Abstract

This thesis concerns the introduction of a Western idea of risk management to a peripheral control system as it examines the unintended consequences of re-embedding Enterprise Risk Management (ERM) in an Egyptian insurance company. It traces how ERM was introduced, constructed, modified, and re-defined over time, causing institutional complexity, heterogenic practices, and identity crisis. It ultimately seeks to understand how a new form of management control was made operable amidst local resistance.

The research involved intensive fieldwork with in-depth interviews, direct observations, and documentation reviews. Drawing on institutional logics and Egypt's geopolitical ramifications, it illustrates how Risk Based Management Control (RBMC) was introduced by Western agencies, how this new control system caused logics competition, and how some ambiguities in identities consequently developed. It was the emergence of the Arab Spring that negatively reacted to those pressures, resulting in great resistance that was amplified through a clash of civilizations as a proper communal understanding and action after the country's revolutions, which this work calls a "geopolitical shield".

This analysis makes three contributions to RBMC and logics. First, it extends the institutional logics debate by illustrating that logics get re-institutionalized by the "place" through its cultural and communal identities that filter logic complexities to different ends. Secondly, it extends the cultural political economy of management accounting by illustrating that management accounting in less developed countries (LDCs) is also an operational manifestation of the geopolitics of locale, location, and place. Finally, it provides an illustrative critique for implementing RBMC systems, which in the West were previously cascaded to operational arenas successfully, as other researchers reported, but in the current case this cascading is disrupted by the geopolitical shield activation. Shield activation at the micro level not only successfully hindered RBMC and its apparatuses but also protected monologic controls from becoming heterogenic.

Keywords: Enterprise risk management; management accounting; management control; geopolitics; clash of civilizations; institutional logics; Egypt.

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Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature:

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List of Abbreviations

ABC	Activity Based Costing
BCAR	Best's Capital Adequacy Ratio
BSC	Balanced Score Card
CAO	Central Auditing Organization
CBE	Central Bank of Egypt
CFO	Chief Financial Officer
CLR	Combined Loss Ratio
COSO	Committee of Sponsoring Organizations of the Trade Way Commission
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
EFSA	Egyptian Financial Supervisory Authority
EIoD	Egyptian Institute of Directors
EIS	Egyptian Insurance Sector
EISA	Egyptian Insurance Supervisory Authority
ERM	Enterprise Risk Management
GATS	General Agreement on Trade in Services
GM	General Manager
IBNR	Incurred But Not Reported Losses
IC	Internal Control
IFE	Insurance Federation of Egypt
IMF	International Monetary Fund
KPIs	Key Performance Indicators
LDC	Less Developed Country
MA	Management Accounting
MAC	Management Accounting and Control
MC	Management Control
MCS	Management Control System
MENA	Middle East and North Africa
OECD	Organization for Economic Co-operation and Development
PML	Probable Maximum Loss
RAPM	Reliance on Accounting Performance Measurement
RBMC	Risk Based Management Control
RM	Risk Management
S&P's	Standard and Poor's Financial Rating
SCM	Supply Chain Management
TQM	Total Quality Management
USAID	United States Agency for International Development
WB	World Bank

Chapter 1 Introduction

1.1 Setting the Scene

At the beginning of the 21st century, Management Accounting and Control (MAC) scholars had a neutral position about risk and risk management. They did not regard risk and risk management as an element of MAC package leaving them to finance and insurance experts. MAC scholars' position, however, changed after the 2008/2009 global financial crisis when risk phobia and salient corporate scandals caused a risk discourse explosion. Now, Enterprise Risk Management (ERM) has become popular leading for MAC scholars to consider risk and risk management as important elements in the MAC package. A powerful discourse, ERM has then influenced MAC practices for handling increased uncertainties through a variety of new risk management tools. Consequently, ERM-led MAC practices become diffused globally while the traditional neutral position is being abandoned.

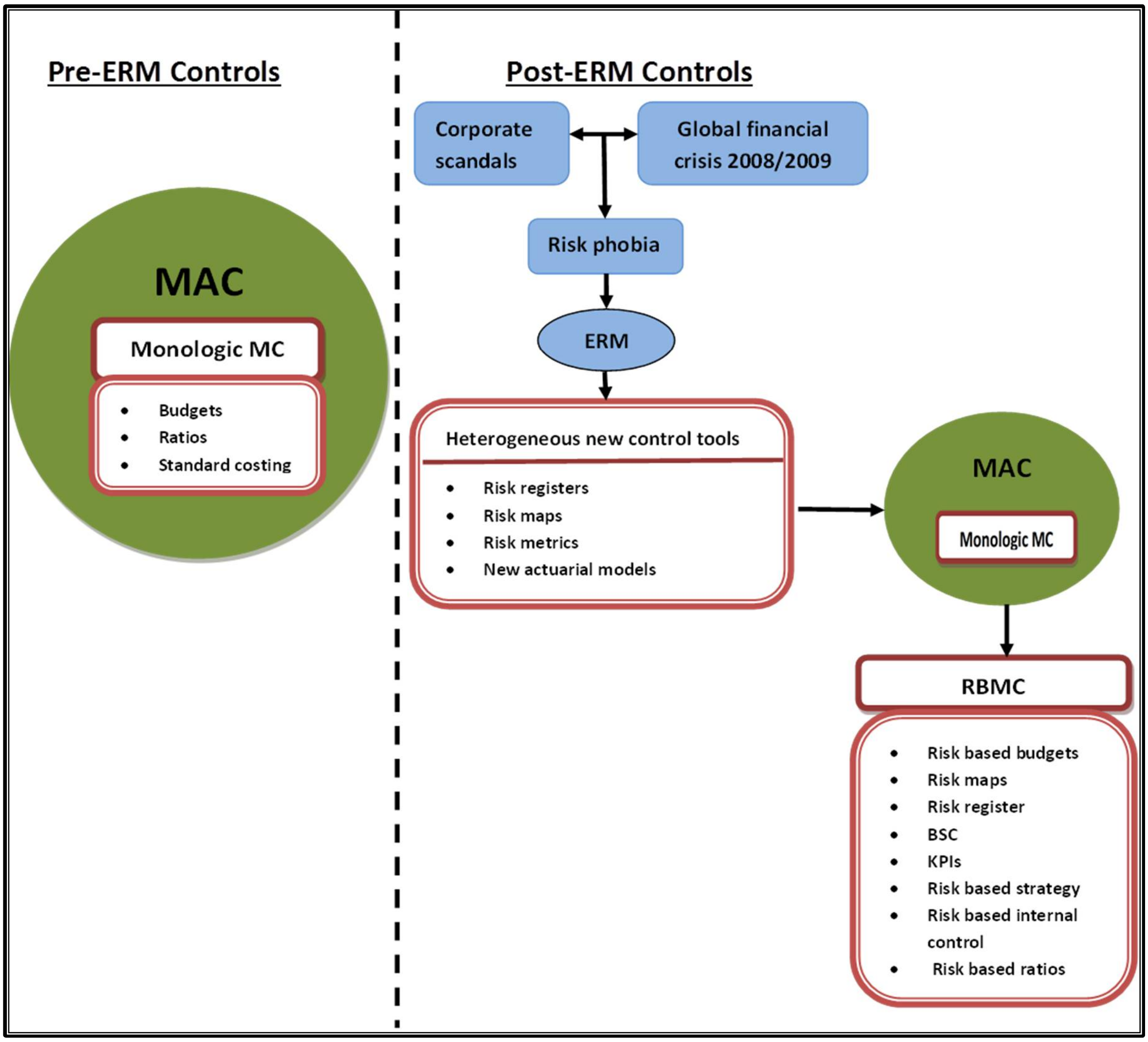
As has been summarized in Figure 1.1, ERM-led MAC is different from its traditional counterpart. The new form of Risk Based Management Control (RBMC) is now presented as a new way of governing and controlling. It combines new methods and mechanisms such as risk maps, risk metrics, value at risk and risk registers with traditional management control tools like budgets. Such a mode of RBMC is now coming to be aligned with neoliberal modes of organizational reconfigurations in Less Developed Countries (LDCs) as well. Both privately and publicly owned organizations in LDCs tend to embrace free market principles to enhance their competitiveness. RBMC has then begun to play a significant role in such new organizational configurations.

In Egypt this discourse started to rise by the early 2000s, when the Egyptian government implemented corporate governance, bringing massive changes in laws, regulations, and ministries. Similarly, it brought great restructuring to the controlling authorities and controlling mechanisms in all sectors. However, two subsequent events disrupted this process: the global 2008/2009 financial crisis and the Egyptian revolutions in 2011 and 2013.

Subsequent uncertainties from these events affected the Egyptians and their Western partners. The financial crisis created risk-phobia in most Western lobbies, which was then exported to less developed countries (LDCs) through Enterprise Risk Management (ERM)

– a new comprehensive framework for control and governance. In Egypt, this new powerful discourse from Western partners clamoured for necessary transformation. Consequently, by early 2010 the government and many other organizations started complying with new requirements from rating institutions and other Western partners. However, the first Egyptian revolution in January 2011 produced further instability and uncertainty to the extent that both the president and the government stepped down, leaving political unrest, bad economic conditions and security concerns.

Figure 1.1 Pre/Post- ERM Controls



For the case studied herein, its roles, departments and control mechanisms rapidly transformed to cope with tumultuous market changes. A main one involved introducing ERM, which altered the company's hierarchy, authority chains, and control mechanisms. These changes were made amidst local resistance that arose because the broader community rejected Western recommendations, especially after the revolutions. Moreover, ERM implementation changed the power, authority and professional identity of some key players in this particular case (e.g. CFO and insurance experts). As the gatekeepers of the old control system, these key players were instrumental in the surging resistance initiatives, though the country's situation made many even more receptive to revolutionary movements that protected local identity and culture.

These observations of the broader Egyptian context and the specific Egyptian insurance company's situation motivated me to understand how and why ERM was introduced despite such local resistance. It was an early attempt to understand risk effect on management accounting and control (MAC) in an LDC. Various MAC literature in LDCs offer great insights into how MAC change is implicated in socio-political implications (e.g. Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005; Alawattage and Wickramasinghe, 2008, 2009; Hopper et al., 2009; Hopper et al., 2012); however, little attention has been paid to Risk Based Management Controls (RBMC) in LDCs.

Broadly speaking, Western studies report that RBMC is unproblematic and easily cascades down to the grassroots of individual cases (e.g. Arena et al., 2010; Jordan et al., 2013; Soin et al., 2014), but more specifically this is not applicable in certain contexts and situations as active local resistance disrupts it. This work therefore addresses such differences but primarily studies such resistance, or in other words the "geopolitical shield".

Geopolitics as a theoretical framework is an interesting new insight that the current study incorporates. It focuses on place, particularly how a sense of a place produces a collective identity that filters what certain communities accept or reject. The current study necessarily triangulates geopolitical ideas with institutional logics to explore how communities and identities dictate actions and facilitate understanding. Much literature exists on institutional logics and its various facets, including sensemaking, cognition, community, and identity but also how they influence actions; such influences are crucial to understanding specific underlying effects of geopolitics.

The next section glimpses the changing nature of Management Control (MC). Section 3 briefly reviews Western RBMC literature, while section 4 identifies the research gap and presents the research questions. Section 5 explains the research aims, scope, and contribution. Finally, section 6 presents the thesis' structure.

1.2 The Changing Nature of MC

MC has always been affected by the surrounding environmental changes that pursue continual change and improvement, as will be discussed in Chapter 2. This section glimpses the changing nature of MC conceptualization and practices, and how risk asks for transformation in MC. This transformation, in fact, has changed MC from being risk averse controls to be heterogenic risk laden controls.

Early conceptualization of MCs during World War II concerned the need for financial performance measurement tools (e.g. Machin, 1992; Johnson, 1994). At that time, positivism dominated accounting research so, as a positivistic concept, MC was influenced by functionalism theorization changes. The rise of and developments in system theory and cybernetics re-conceptualized MCs from financial tools of controls to systems of controls that have connection loops between its tools. These systems supported operations and decision making within organizations. However, this conception of controls failed to cascade down to managers and employees, and it was not fully embedded in practice because of difficulties in dividing labour between controllers and those who are controlled (Otley and Berry, 1980).

The rise of contingency theory had a greater impact on MC conceptualization. The overlap between the two made the MC design process based on uncertainty handling implicitly, as organizations and researchers started to think that Management Control System (MCS) design depended on contingent factors, including environmental ones. Despite this great change in understanding MCSs, their budgets, standard costing, and ratio analysis were still the most known and used MC tools in practice (Guilding et al., 1998).

This conceptualization had again changed dramatically by the late 1980s as it was contested and accused of being irrelevant (Johnson and Kaplan, 1987). This contestation plea called for more case studies to engage in and understand the micro foundation of MC's everyday practices. Moreover, other research introduced innovative techniques to retain MAC's relevancy, introducing new concepts and technologies as a solution – namely Balanced Score Card (BSC) and Total Quality Management (TQM) (Johnson, 1994).

Focusing more on qualitative research and mixing MC conceptualization with social science theories and sociology changed MC in terms of the socio-political aspects of people's life; their perception, context, behaviour, and culture; and their understanding of the micro foundations of MC (Wickramasinghe and Alawattage, 2007). Three main strands dominated this direction – namely Naturalistic Frame (interpretive research), Radical Frame (Marxist and labour process theory studies), and Foucauldian Frame (Foucault-inspired accounting studies) (Baxter and Chua, 2006). These studded MC in its real-life context to increase our understanding of the importance of people's culture, rituals, religious, ethnicity, ceremonies, and political games (e.g. Colville, 1981; Chua, 1986; Covaleski and Dirsmith, 1986; Hopper et al., 1987; Ansari and Bell, 1991). Such context specific factors produced various views on and practices of MAC (e.g. Wickramasinghe and Alawattage, 2007; Kholeif et al., 2008; Hopper et al., 2009).

New arguments against and questions raised about MC made defining its conception difficult. Moreover, the disagreement, and overlap with other fields of knowledge such as cybernetics, organizational design, social process, politics, power, contingency theory, and uncertainty has yielded various discourses about MC conceptualization and made MC scholars adopt different practices for it, from operational tools like budgets to strategy setting and planning (Machin, 1992).

These early conceptualizations critically engaged with MC as a risk averse system of control. Hence, little evidence has been found relating risk to budgeting (Collier and Berry, 2002: 276) or broader MAC conceptualizations and practices (Hopper and Bui, 2016). However, despite this historical neglect of ERM more are understanding the new shape of MC so ERM and RBMC are being recognized as emerging but nevertheless important themes in MAC literature (Berry et al., 2009), though what ERM is and how it invaded MAC conceptualizations and practices needs clarifying.

ERM represents 'the culmination of the risk management explosion that started in 1990s' (Arena et al., 2010: 659). It is 'a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives' (COSO, 2004: 4). Evidently, ERM operates with a broad remit, enabling its spread beyond its initial financial risk agenda – from strategic objectives to operational issues and practices – so, unlike the old risk models, ERM focuses on collective control and management of risks instead of silo risk management (Jabbour, 2013).

ERM is different from the traditional Risk Management (RM) models in several respects. These differences can be summarized as follows: Firstly, ERM identifies and classifies risks that the company has information or advantage about, and risks that the company has no information or advantage about. Secondly, ERM analyses risk as part of a company's strategic planning and control processes which means that now RM represents an integral part of MC planning and implementation. Thirdly, it merges the various risks and actions of risk management into one internal risk management system (Jabbour 2013: 14). Finally, it allocates roles and responsibilities to many parties (i.e. board, executive management, risk officer, chief financial officer, and internal auditor), in that sense it represents a new way of MC. The key differences between ERM and traditional RM were summarized by Banham (2004) in Table 1.1 below.

Table 1.1 Traditional RM VS. ERM: Essential Differences

Traditional RM	ERM
Risk as individual hazards	Risk in the context of business strategy
Risk identification and assessment	Risk portfolio development
Focus on discrete risks	Focus on critical risks
Risk mitigation	Risk optimization
Risk limits	Risk strategy
Risks with no owners	Defined risk responsibilities
Haphazard risk quantification	Monitoring and measuring of risks
"Risk is not my responsibility"	"Risk is everyone's responsibility"

(Source:Banham 2004, 68)

The ERM discourse has now invaded the MAC domain requiring a new way of controlling and management which has formed into a RBMC system. This new way of control encompasses numerous tools including governance, risk maps, risk metrics, value at risk, risk registers along with traditional MC tools (e.g. Soin et al., 2014; Fischer and Ferlie, 2013). In practice, this change promotes a heterogeneous form of management control (Arena et al., 2010) by mixing methods and tools (e.g. budgets and risk registers) that were previously not meant to be compatible. This heterogenic move is also characterised by a shift from hierarchical controls to one with overlapping roles and structure as the hierarchical form delayed in responding to the RBMC's requirements.

1.3 Risk Studies in MC: An Overview

ERM-led MC research is still an emerging area in the West. Hopper and Bui (2016: 18) say that ‘risk and risk management…[were]almost non-existent before 2009’. As an emerging academic endeavour, ERM has inspired studies that examine its conceptualization and interactions with organizational apparatuses that lead to new modes of regulation and controls (e.g. Bhimani, 2009; Soin and Collier, 2013; Power, 2007; Hopper and Bui, 2016).

RBMC studies have four main streams. One concerns corporate governance doctrine and its interdependence with MA and RM (Woods, 2007; Bhimani, 2009; Woods, 2009). Woods (2007) examined how RM strategies could motivate managers to achieve strategic objectives through sound control systems. Bhimani (2009), however, argued that RM and governance could act together depending on their analytical, technical, and calculative capacity, but he lacks empirical evidence for this. Woods (2009) deployed a contingency framework to explain how contingent variables such as central governmental policies, information and communication technologies, and organization size could shape MCS.

RBMC praxis, problems, and heterogeneity were the focus of second stream studies. Arena et al. (2010) highlighted how ERM is translated and used by actors directly concerned with managing risks and uncertainties in practice. For them, ERM is a new managerial guise that has different implications from traditional risk handling. Regarding practical heterogeneity, Jordan et al. (2013) studied the relationship between MC and RM by examining risk maps’ role in inter-organizational project collaborations and how risk representation technologies (e.g. risk maps) can be mediated and used beyond their conventional role as RM technology.

Thirdly, risk discourse and the calculative culture effect on MC was explored by Mikes (2009, 2011), who studied how the calculative culture can affect RM and controls. She determined two calculative cultures (“enthusiasm” and "sceptical") in ERM implementation relating to the rate of quantification along the implementation process. In both cultures, risk assessment calculations are made then managers determine the extent s/he will depend on calculated numbers.

Although these studies offer much insight, the role culture, values, sense making and cognition – socio-political dimensions of people’s lives – play while such discourses are imposed was missing. Culture's importance and people's subjectivity was reflected using Foucault's (2011b, 2011a) lectures on governing the self and others. By mobilizing Foucauldian Heuristics, Fischer and Ferlie (2013) explained how pre-existing clinical, ethical, and moral modes of RM are poorly diffused and even resist ERM modes of regulation.

The fourth stream concerned ERM's limited role in the financial crisis and why controls should be risk based (Power, 2009; Huber and Scheytt, 2013; Tekathen and Dechow, 2013; Vinnari and Skaebaek 2014) instead of understanding actual implementation and its relationship to pre-embedded controls. Power (2009:849) described ERM as the 'risk management of nothing' because adopting ERM without analyzing its limitation leads to great danger. Huber and Scheytt (2013) investigated why RM has retained its importance even after its failure to manage risks during the global financial crisis. Tekathen and Dechow (2013) built on Power's (2009) critique of ERM's conceptualization and intellectual framework when arguing against defining ERM as activities that lead to organizational alignment and accountability. Similarly, Vinnari and Skaebaek (2014) noted concerns about the uncertainty implementing ERM produces in internal audit processes. For them, ERM produces more uncertainty rather than managing uncertainty, which emanates from hybridizing ERM rules and logics (see, Miller et al., 2008) .

1.4 Questions Being Posed

Reviewing RBMC studies has revealed that both RM and MC have been reshaping to be heterogenic, but RM discourses are developing beyond imposed formalized regulations and its implementation problems. Hence, previous studies reveal that RBMC discourses include power, fear, politics, mediation, hybridization, and fusions within these hybrids and disciplines (Soin and Collier, 2013). However, although this is clearly addressed in the literature, few studies have concentrated on this socio-political conceptualization of RBMC.

The literature shows how RBMC represents a transformative drive that changed MC from monologic to heterogenic, creating "risk laden" MC. However, little attention was given to this change process and how it affected the cognition, sense making and actions of micro level employees. Indeed, several specific aspects were missing: how these risk laden procedures and tools cascaded down to organizations' grassroots; how RBMC was understood by micro level employees; the political gaming involved in implementation;

and how the employees reacted to the reconstruction process. These points suggest a lack of depth in most early studies as they concentrated on ERM itself – not people's involvement in and reactions to ERM implementation.

Moreover, most such studies were Western centred. Having said this, we know little about how this blueprint is implicated and instantiated in LDCs. Hence, MAC literature in LDCs offers rich insights into how neo-liberal control practices are implicated in socio-political ramifications (e.g. Wickramasinghe et al., 2004; Wickramasinghe and Hopper, 2005; Alawattage and Wickramasinghe, 2008, 2009; Hopper et al., 2009; Hopper et al., 2012), it is somewhat surprising to see that little attention has been paid, in these critical circles, to studying RBMC and related MCS changes.

Accordingly, given the absence of any comprehensive attempt to study RBMC practices as a 'situated practice' in geopolitical peripheries (vis-à-vis a particular community culture and geopolitical identity that frame and filter organizations' reactions), this thesis explores how community's geopolitical identity could produce a shield against imposed but unwanted logics. In so doing, it fills a gap in MA literature in LDCs regarding risk issues. Specifically, it answers one central question and three sub-questions:

Central research question:

To what extent are RBMCs differently implicated in a geopolitical periphery's grassroots?

Research sub-questions:

(1) To what extent were the traditional controls systems characterized by risk averse and monologic nature?

(2) To What extent do RBMC's heterogenic practices contradict with geopolitical ramifications?

(3)What new insights can be gained about this contradiction from a triangulation of institutional logics with geopolitical community identity?

1.5 Aim, Objectives, Scope, and Contributions

1.5.1 Aims, Objectives, and Scope

This work's aim concerns identifying, and analyzing theoretical and empirical aspects of the shift in management control from a monologic to a heterogenic position caused by RBMC implementation in a geopolitical periphery. It thus has three specific objectives.

(1) to explore the monologic tradition of controls to clarify its risk excluded nature.

2) to critically examine and evaluate the ongoing changes to the existing monologic control tradition and the opposition that was then produced against this change in XYZ insurance company's MCS that derived from the transplantation and imposition of RBMC by Western partners in this geopolitical periphery.

(3) to explore extending institutional logics that meet geopolitics to analyze if a geopolitical community identity can work as a filter that works as an opposing tool against what contradicts community values and symbols.

The research scope thus concerns the geopolitics of institutional logics as a theoretical framework to explore the abovementioned change process. Hence, data collection and analysis focuses on MC practices pre and post ERM transplantation to understand underlying logics and political games. Understanding practices and the reasons for them is crucial as logics are embedded in practice (Thornton et al., 2012). However, although the case site has many interesting issues (e.g. differences between old and new risk assessment tools, the institutionalization of new concepts, power/knowledge games, calculative culture, and changes in reinsurance procedures because of ERM), these practices are largely beyond the scope of this project's analysis.

1.5.2 Contributions

The current study makes three main contributions; these relate to risk management debate, institutional logics debate and control issues in LDCs.

First, it contributes to ongoing debates in RM literature as an early attempt to understand ERM and RBMC as geopolitically situated knowledge. This responds to calls Soin and Collier (2013) made to study the social, political and contextual factors surrounding RBMC. Nevertheless, this study's empirical evidence contrasts with what Soin et al. (2014) concluded. In their study of UK universities, RBMC tools were cascading to grassroots levels; in the current case, this cascading is disrupted by cultural change and the geopolitical shield. This shield production is another unintended consequence of risk-phobia to add to the long list reported in the literature (e.g. Otley and Soin, 2014; Soin et al., 2014; Lowe and De Loo, 2014; Collier et al., 2007; Berry et al., 2005).

Secondly, it contributes to ongoing institutional logics debates by providing empirical evidence for centrality and compatibility as determining either conflict or coexistence between logics (Besharov and Smith, 2014). In doing so, it reinforces the idea of “bringing society back” through geopolitics, cultures, values, and identities (e.g. Luo, 2007; Thornton and Ocasio, 2008; Alawattage, 2011). Moreover, this study’s analysis of micro level practices represents explores more “blind spots” in logics mobilization (Cloutier and Langley, 2013).

Finally, it contributes to control issues in LDCs. It proposes new cultural perspectives on MCS micro-politics in an LDC that speak to and extend cultural political economy of MA; these new perspectives concern the struggle for everyday life of controls, especially the clash of civilizations (Wickramasinghe and Hopper, 2005; Hopper et al., 2009). Moreover, it shows how RBMC has become a pervasive institutional project that makes things governable as well as controversial. Finally, it provides plausible evidence of how RBMC triggers a geopolitical shield for protectionism.

1.6 Structure of the Thesis

The thesis has ten chapters. An overview of the nine main chapters is presented below.

Chapter 2, ‘From Monologics to Heterogenics in MC’, provides a historical narrative of how ERM and its RBMC changed MC from a monologic risk averse position to a heterogenic risk laden position. It specifically addresses how and why RBMC implementation produced heterogeneity and includes issues surrounding bundling and packaging tendencies in MC practices. The chapter advocates work on social and political aspects of RBMC as the literature ignores this aspect of risk and control, especially in LDCs. Specifically, it stresses the need for case studies in LDCs to understand how this pervasive programme was imposed on and transplanted to geopolitical peripheries.

Chapter 3, ‘The Geopolitics of Institutional Logics’, establishes the theoretical framework for analyzing the empirical data. This framework mainly uses an institutional logics perspective, especially Thornton et al.'s (2012) and Besharov and Smith's (2014) models, although it also draws on Huntington’s (2002) clash of civilizations. Chapter 3 explains how triangulating geopolitics and institutional logics can bring a fuller investigation into how a geopolitical community identity works as a filter for what indigenous people accept in a geopolitical periphery. Contrastingly, it shows how this geopolitical identity can become a geopolitical shield for cultural resurgence against the refused logic(s).

Chapter 4, ‘Methodology and Research Methods’, first reviews the methodologies and methods employed in the precedent research then justifies this work’s the extension decision. It explains the ontological, epistemological, and methodological approach taken, and the specific data collection methods used. Finally, it describes the data collection process and the data analysis technique.

Chapters 5, 6, 7, and 8 provide the data and its analysis. Chapter 5, ‘Egyptian Insurance Geopolitical Ramifications’, discusses country level geopolitics and the Egyptian Insurance Sector (EIS). This analysis examines the latter’s historical evolution and recent developments in its contextual socio-demographic implications.

Chapter 6, ‘The Logics of Monologic Controls’, explains the pre-ERM risk averse monologic MCS that XYZ company previously had. It explores the main logics related to this monologic tradition. Analyzing the procedural steps of XYZ’s former monologic controls, this chapter illustrates how a combination of family, community, and corporate logics successfully coexisted: the coexisting logics’ cognition and sense making produced little tension; thus, great centrality and compatibility produced minimum conflict.

Chapter 7, ‘Logic of ERM Being Diffused and Practised’, deals with the process of imposing and transplanting ERM and RBMC by Western rating institutions and reinsurance companies. It also covers the heterogeneity, centrality and compatibility related to this new imposed logic. The chapter further explores how ERM represents a new imposed logic that makes dramatic changes to prevailing logics through its many structural and procedural changes to the monologic tradition of control. For XYZ, this imposed logic was highly central to the company employees but not very compatible with the old coexisting logics, which produced a ‘contested’ organization and thus extensive conflict. Here, top management contestation caused divisions about these changes and their implementation. Through this and contradictory cascading orders, micro level employees felt they were losing their identity.

Chapter 8, ‘Geopolitical Protection of Monologic Controls’, explains how the contestation stimulated cultural resurgence: a clash of civilizations occurred to protect disappearing identities. Moreover, it clarifies how this cultural resurgence had its geopolitical shield, which came from the cascading of RBMC apparatuses, and how this shield successfully stopped the monologic MC tradition from shifting to heterogenic RBMC.

Chapter 9, ‘Discussion’, discusses the thesis findings but also engages with RM, institutional logics, and MA from LDCs literature to explore the current study’s implications against other empirical evidence.

Finally, the ‘Conclusion’ summarizes the work and advances this study’s theoretical and empirical contributions. It also provides limitations and makes suggestions for future research directions.

Chapter 2 From Monologics to Heterogenics in MC

2.1 Introduction

This chapter explores how and why monologic MC moved into a heterogenic position through ERM implementation. Heterogeneity comes from incorporating risk tools like risk register, risk maps, risk appetite, and risk actions into the heart of control activities. These and others are becoming the new tools of control as they have subsumed monologic tools like budgets, standard costing, variance analysis and Key Performance Indicators (KPIs); hence, the latter are the former's subservients under the umbrella of RBMC. This approach to studying MC touches issues on bundling and packaging tendencies in MC and how MAC scholars have studied this change in MC. This chapter also identifies gaps in ERM-led MC studies by clarifying what we know and what we need to know about this shift in conception and practice.

The chapter is organized as follows. Section 2 presents an overview of the traditional conception of MC in its monologic position. Section 3 discusses how MC has been studied and conceptualized differently under different paradigms. Section 4 outlines the features and precursors of ERM as an instigator of heterogenic MC practices. Section 5 discusses ERM-led MC practices and related theoretical debates to identify research gaps. Finally, section 6 summarizes the chapter.

2.2 Management Controls: An Overview

MC roots go back to World War II[1], when controls were based on accounting measurements as primary tools (Machin, 1992; Johnson, 1994). This was inspired by the pre-eminence of system theory perspectives that stemmed from cybernetic ideas of control (see Berry, 1983; Otley, 1983). Within a system of organization, such developments manifested a monologic fashion of MC – namely standard costing and related budgetary control (Otley et al., 1995). Budgetary controls have dominated discourses of control, unsurprisingly as they are the eldest and most used mechanism (Burns and Yazdifar, 2001; Ezzamel, 1995). Against this objective approach, some scholars advocate human judgement and behaviour in the budgeting process to improve target setting and attainment (Hopwood, 1972; Otley, 1978).

[1] Some scholars argue that the roots of financial controls are older than MCSs itself, as far back as the Industrial Revolution (Lowe and Machin, 1983).

While this subjective/objective debate continued, many managers still deemed budgets the main control tool (Guilding et al., 1998). Ratios such as return on investment and residual income nevertheless later developed to complement older techniques and to encourage optimal investment selection by managers (Bromwich and Walker, 1998), but a shift happened when MCs were intertwined with Cybernetics (Otley et al., 1995).

Cybernetics involves communication and control processes that relate to machines, living things, and social systems (Otley and Berry, 1980). Thus, a MCS is a 'process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance standards, feeding back information about unwanted variances' (Green and Welsh, 1988: 289).

The cybernetics lens of monologic controls is therefore technical and automatic, and control systems are not different from any mechanical control system (e.g. controlling room temperature using thermostats) (Wickramasinghe and Alawattage, 2007). Moreover, communication between systems parts (human and non-human) neglect behavioural, cultural, or even environmental issues (Lowe and Machin, 1988). Such omissions relate to connecting MC to system theory, which explains behavioural issues inside the control system by studying the interrelation of parts rather than the nature of these parts (Hewege, 2012).

However, these systematic controls were necessary for the survival and growth of large and complex organizations. Nevertheless, they were not fully embedded in practice because of difficulties in dividing labour between controllers and those who are controlled (Otley and Berry, 1980). Cascading and absorption problems made cybernetics impractical. The impracticality debate started in the late 1960s and produced divided opinions between practitioners and organizations about cybernetics MC usefulness, though Anthony's framework sought to resolve this conflict (Machin, 1992).

Anthony's framework shifted understanding regarding monologic controls. He defined MC as the 'process by which managers assure that resources are obtained and used effectively and efficiently in accomplishment of organization's goals' (cited in Otley and Berry, 1980: 235). It also represents 'the process by which managers influences other members of the organization to implement organizational strategies' (Anthony et al., 1998: 6). MCS therefore seems a behavioural process as managers use controls to influence members of the organization, which implies a "non-automatic" system because, unlike mechanical systems, it needs "coordination among individuals" (Anthony et al., 1998).

This understanding suggests that management actions towards any deviations will not be similar across all organizations as they incorporate behavioural and cultural considerations. Moreover, Anthony caused another important shift by clarifying that MC involves both planning and control, unlike the traditional view. This occurs in strategy formation then task control. MC therefore represents responsibility accounting system as an organization is divided into sub-units that are responsible for cost, revenue, profit, and/or investment. These interact through rules, procedures and organizational culture.

Although Anthony’s framework generated great insights into understanding MC, it had drawbacks. First, building the planning and control processes on accounting rationalities ignores the social and behavioural aspects of MC (Otley et al., 1995). Secondly, Anthony’s separation of MC, strategy formation, and operational controls lacks a holistic view and neglects the interrelations between control elements (Lowe and Machin, 1988; Chua et al., 1989). Thirdly, this separation neglects differences in organizations that occur through technological or environmental aspects (Otley and Berry, 1980). Finally, narrowing MC’s role in middle management work and disengaging it from strategy formation caused subsequent studies to be based exclusively on accounting controls and measuring performance outcomes (Otley et al., 1995). Consequently, many scholars started thinking that generalization, systemizing, and universalizing is not practical, though they also did so because of contingency theory’s emergence in the early 1970s (Otley, 1980).

Contingent MC is based on contingency theory, where ‘there is no universally appropriate accounting system which applies equally to all organizations in all circumstances. Rather it…will depend upon the specific circumstances in which an organization finds itself’ (Otley, 1980: 413). This research strand has two approaches. First, studies that followed the seminal work by Gordon and Miller (1976) and Waterhouse and Tiessen (1978), which concentrated on the contingent nature of accounting systems and how contingent variables affect their design and processes (Chapman, 1997). Secondly, from Hopwood's (1972) and Otley's (1978) findings many studies focused on Reliance on Accounting Performance Measurement (RAPM), dysfunctional behaviour, and uncertainty.

The first strand deems organizational structure as the main source of control. Here, two ways to get good control are via centralized and decentralized controls (Bruns and

Waterhouse, 1975). Though MCS design is based on the heterogeneous and dynamic environment surrounding the organization (Gordon and Miller, 1976); The effect of the environment on the organizational structure and the effect of the organizational structure on MCS design effectiveness are crucial for good control (Waterhouse and Tiessen, 1978). Thus, contingency theory means the MC design process is based on handling uncertainty implicitly, as organizations, researchers, and practitioners started seeing MCS design as dependent on contingent factors and affected directly by surrounding circumstances.

The second strand of contingent MC studies concentrates on performance measurement tools and the human aspect of budgeting; it studies different evaluation styles and their implications for managers' behaviour. Hopwood (1972) examined the inherent inadequacies of RAPM by evaluating incomplete managerial performance and difficulties surrounding controlling. Hopwood identified three management control styles: budget constrained (BC), profit conscious (PC), and non-accounting (NA). He then hypothesized the relationship between the style adapted by supervisors of cost centres and the subordinates' dysfunctional behaviour based on job related tension (JRT). Greater JRT and dysfunctional behaviour was found among managers who used BC compared to PC and NA. Also, RAPM cannot capture social behaviour itself – it concentrates on economic aspects (financial outcome behaviour) (Hartmann, 2000).

This brief MC literature review reveals that the monologic tradition of control is risk averse as it depends on systematic financial control systems. These systems are rigid and use traditional tools like budgets, standard costing, and ratio analysis. Although it found no risk discourses, this literature review noted the importance of uncertainty in designing and implementing MC. The next section continues overviewing MC literature but concentrates on MAC change and how this and its diffusion with social science theories changed MC's monologic tradition. Notably, this change concerned the socio-political rather than the technical understanding of MC but neglected RBMC and its heterogeneity, as studying risk in the MC literature was absent until 2009 (Hopper and Bui, 2016; Berry et al., 2009). This research gap needs further investigation (see section 2.4 and 2.5).

2.3 MC Research Under Different Paradigms

By the late 1980s, traditional cost allocation systems were deemed obsolete but appropriate alternatives were not implemented. Johnson and Kaplan (1987: 17) proposed making MA more relevant, saying 'management accounting system can and should be designed to support the operations and the strategy of the organization'. At this time, the rise of globalization, neo-liberal systems, multinational corporations and joint ventures produced new study dimensions; hence, new questions were asked regarding monologic MCS. These concerned people's perception, context, behaviour, and culture along with understanding MC's micro foundations. This change happened because MA liberated from mainstream domination, shaped new knowledge by incorporating socio-political aspects (Wickramasinghe and Alawattage, 2007; Kholeif et al., 2008).

The next subsections explain how different theoretical backgrounds possibly produced different conceptions, meanings, and practices of MC via four main frames: Rational Frame (Mainstream positivistic research), Naturalistic Frame (Interpretive research), Radical Frame (Marxist and labour process theory studies), and Foucauldian Frame (Michael Foucault-inspired accounting studies).

2.3.1 Rational MC Framing

The rise of multinational corporations generated much mainstream research on organizational context, such as on national culture and MCS design. Often, this has involved studying branches in different countries or partners and their overseas subsidiaries (e.g. Harrison, 1992; Ueno and Wu, 1993). These studies concluded that when multinational corporations apply control in overseas branches it initially conflicts with cultures and actions. Similarly, power and its relationship with MCS design and implementation has been studied in Western corporations and their subsidiaries; most found that power is less relevant in Western partners than their subsidiaries, for whom power strongly relates to formal and traditional MCS (O'Connor, 1995).

Questions have also arisen regarding reliability, relevance and increased variables but without theoretical explanations and appropriate statistical approaches (Briers and Hirst, 1992). Other scholars conclude that early studies used small sample sizes, different variables and other measurements methods so universal findings over time are not expected, though some explain this by control practices changing across organizations, culture, and time (Otley and Pollanen, 2000).

Existing literature therefore acknowledges that superiors' use of accounting information to evaluate subordinates' performance affects JRT, though particular evaluative styles are conditional on organizational, environmental and personal factors. Consequently, more qualitative studies are needed to understand and interpret these environmental, cultural, organizational and personal aspects of MC.

Using qualitative cases was MA’s first obvious sign of moving from economical and mathematical methods and models (Scapens, 2006). MAC no longer sought economic equilibrium and efficient use of limited resources through costing and budgeting techniques (Kholeif et al., 2008). Instead, it incorporated social science theories to explain and examine MCS from different perspectives (Wickramasinghe and Alawattage, 2007). Introducing interpretive and critical paradigms in MCS research generated new discourses like culture political economy and the use of power, including how such aspects affect the design, understanding and implementation of MCS (Covaleski et al., 1996). The next sections engage with interpretive frame and two main critical frames – Marxist and Foucauldian-led MA research.

2.3.2 Naturalistic MC Framing

The Naturalistic frame involves scholars study accounting in context (Covaleski and Dirsmith, 1986; Baxter and Chua, 2006) to make sense of social reality and how people understand each other’s behaviour (Lowe and Machin, 1988). It also addresses the role of language, interpretation, and understanding in social science (Chua, 1986). This subjective view considers the world as socially constructed and to be understood only by examining humans’ perceptions. It is not trying to find generalized explanations or to make predictions about actions. Instead, it interprets and understands particular situations via case study methodologies (Wickramasinghe and Alawattage, 2007). Accounting and controls are everyday practices (Tomkins and Groves, 1983) rather than formal regulations from top management or regulators (Colville, 1981). They represent behavioural and natural interactions (Hopper et al., 1987) so affect and are affected by context; hence, values, identities, and goals are the moving force of everyday practices – not the rational choice or equilibrium (Ansari and Bell, 1991).

Controlling tools like budgets produce everyday language (Chua, 1986) as they can be interpreted and implemented by subordinates in ways that vary from what management or regulators expect (Ansari and Bell, 1991). Moreover, scholars in this strand are sceptical about budgets as objective financial measures because they contain social interactions, negotiations and compromises (Boland Jr and Pondy, 1983; Covaleski and Dirsmith, 1986), which emanate from individuals’ self-interests and goals so may contradict or correspond with organizational goals (Hopper et al., 1987). Given this, the naturalistic frame emerged as a response to neglecting human and behavioural aspects of controls in the rational mainstream research, as systems can override these (if designed and implemented accordingly) (Baxter and Chua, 2006). This new emerging strand denies this detachment of human behaviour.

Interpretive research values differences in meaning and naturalistic studies enable in-depth understanding of MA practices. In these, researchers can collect data, observe ongoing organizational processes, and speak to organizational participants, either informally (e.g. during meal breaks) or formally (pre-arranged interviews), to elicit participants' opinions and feelings on MAC. Naturalistic research may also put researchers in unusual and possibly uncomfortable situations. Berry et al. (1985), for example, went down coal pits to understand MA in the UK's National Coal Board, and they found that financial control was not the dominant driver of the control system.

For such scholars monologic MC no longer represents merely formal systems to control and monitor employees – it now includes ways to express values, power, and politics. Political games in some naturalistic studies involve 'playing the budgetary game' rather than improving underlying resource allocation techniques (Boland Jr and Pondy, 1983; Covaleski and Dirsmith, 1986). But by examining reality and day to day controls, naturalistic research allows more developed dialectics.

2.3.3 Radical MC Framing

The radical frame criticizes mainstream MC from a Marxist and labour process theory perspective. It challenges the prevailing conceptions and practices of the rational frame by highlighting the problems with and issues of MCSs rather than offering prescriptions for designing better systems (Wickramasinghe and Alawattage, 2007). Furthermore, it acknowledges the complex interactions between MCSs and the contexts within which they operate (Neimark and Tinker, 1986). Radical MC research draws attention to the MC issues emanating from inherent contradictions within capitalist societies by showing the role of MAC in expanding capital's control over labour (Hopper and Armstrong, 1991) and issues relating to structural factors such as politics (Uddin and Hopper, 2001), culture, ethnicity, and race (Wickramasinghe and Hopper, 2005) but also how these shape MC within organizations. MAC also helps to create society inequality (Baxter and Chua, 2003). Accounting technologies' main role is to stabilize and manage local conflict while promoting underlying differences that sustain enduring societal conflicts (Baxter and Chua, 2006).

The political economy perspective focuses attention on accounting for income, power and wealth distribution. In contrast, labour process theory focuses only on the labour process and the social relations of production in capitalist economic systems (Kholeif et al., 2008). Scholars of this perspective regard neo-classical economics as partial explanations of MCS's development, so 'accounting controls were not a consequence of economic or technological imperatives, but rather were rooted in struggles as firms attempted to control labour processes in various epochs of capitalistic development' (Hopper and Armstrong, 1991: 405). Modern capitalism treats workers as commodities to be purchased and sold. These workers are exploited and expropriated by capital through multiple sets of power and conflict between the owners of capital and their senior management agents (Hopper et al., 1987). This power relationship represents the domination and subordination of labour by capital.

Class based distributional conflicts occur between owners and workers within capitalist enterprises. In these, accounting is an instrument of exploitation and provides control mechanisms by which surplus is extracted from labour by owners (Hopper et al., 1987; Hopper and Armstrong, 1991; Uddin and Hopper, 2001). In short, this strand brings conflict regarding the unequal distribution of resources to the forefront of accounting studies (Tinker et al., 1982). These scholars hope their research will facilitate more justice and fairer organizations and societies (Baxter and Chua, 2003). Such MA practices would reflect power and conflict rather than marginalize or ignore these issues and it urges resistance to this exploitation.

Human agency is indeed important here as individuals should be able to act independently and make free choices. Two different views regarding the nature of human agency prevail, according to Wickramasinghe and Alawattage (2007: 458). The first, dialectical, considers agency as being subject to someone or something through control and dependence. The second considers agency as human beings' ability to exercise their open, embedded agency. Most attempts in the literature to incorporate subjectivity (human agency) follow the former. In it, workers (human agents) are subject to the control exercised on them by capital and are largely overwhelmed with capital's exercise of power. Nevertheless, labour is not considered to be 'powerless'. Instead, it lacks the necessary resources to resist capital's attempts to dominate them. Accordingly, confrontations between labour and capital usually result in capital winning. Furthermore, these resources, whenever labour possesses them, are usually attributed to structural factors, as Wickramasinghe and Hopper (2005) found. These authors' evidence supported the possibility that workers' resistance might be responsible for shaping MCSs; this evidence was attributed to structural factors such as culture, ethnicity, and race.

For radical scholars MAC has flourished because of its compatibility with 'laissez-faire capitalism' (Wickramasinghe, 1996). MA and global capitalism create and sustain conflicts regarding the division of surplus generated from producing goods and services: individual firms business community factions compete for resources and over the distribution of the social surplus (Neimark and Tinker, 1986). Consequently, MA mediates conflict (more complex than merely opposing labour and management) within and beyond organizations (Chua et al., 1989).

This is evident in a reinterpretation of how management accounting gets done under such conflict. Hopper et al. (1986: 121) argue that management accounting is possible when MAC practices are 'loosely coupled'. In short, the contradictory role of MA in contemporary organizations provides technologies that stabilize and manage local conflict while promoting underlying divergences that sustain enduring societal conflicts. It also allows the study of MAC in an instable, disordered context rather than assuming equilibrium, tidiness, and order.

2.3.4 Foucauldian MC Framing

Foucault-inspired MAC studies came in two waves (Armstrong, 1994). The first concentrated on two main themes – MA history and MA as a disciplinary practice (Cooper and Hopper, 2006; Wickramasinghe and Alawattage, 2007) – through deploying Archaeology, Genealogy, and Disciplinary power. The second used governmentality to explain MA as an influential Bio-power that can control subjects' life from a distance (Rose and Miller, 1992; Miller and Rose, 2008). For Foucauldians, MCS control creates the 'governable person' (Miller and Oleary, 1987) and 'one particular expression of a new kind of knowledge-based "disciplinary" power' (Hoskin and Macve, 1994: 5). For them, the core event was when modern MC distinguished 'between the development of engineering standards for materials and machine efficiency and the transfer of such performance measurements to human behaviour' (Cited in: Wongkaew, 2007: 32).

Foucauldian historians reject the Marxist explanations of accounting history, as Foucault himself regarded this class struggle, class domination, and power as a terminal form of power, so instead of concentrating on macro-analyses they explored micro and local circumstances such developing discourses and disciplining practices through Archaeology of knowledge and genealogy of power (Armstrong, 1994). Many studies used the genealogical path (e.g. Burchell et al., 1985; Loft, 1986; Miller and Oleary, 1987) to trace the origins of MA practices by analyzing the fragmented, discontinued, and multiple histories of discourses and events. Combining and re-writing these histories made 'mini-regimes of truth' that made subjects governable, calculable objects (Miller and Oleary, 1987). This new accounting history (Miller et al., 1991) deemed conventional histories inaccurate because it searched for the origins of and continuity in MAC technologies in a fragmented history but also neglected power relations and discourses surrounding the production of subjects (Hoskin and Macve, 1986; Hopwood, 1987).

An emerging insight into accounting history from a critical perspective is that accounting is 'an important part of a network of power relations which are built into the very fabric of organizational and social life' (Miller and Oleary, 1987: 240). Accounting history concerns 'the formation of one particular complex of rationalities and modes of intervention among many, a complex that has itself been formed out of diverse materials and in relation to a heterogeneous range of issues and events' (Miller et al., 1991: 396). Different views on how MCS emerged and developed supported accounting scholars' varying opinions on monologic MC problems. Scholars from conventional and economic rationalist perspectives view these as a result of their failure to evolve and thus keep pace with changing technological and economic environments, while Marxist scholars see that MC is embedded in capitalist mode of production exploitation plans as a tool of sustaining and managing conflicts.

Arguments and questions about monologic MC practices made MC conceptualization difficult, evident with diverse paradigms, definitions, and frameworks about what MC is theoretically and practically (Malmi and Brown, 2008; Fisher, 1998). Such imbalanced and inconsistent views perhaps came from the dominance of economic rationality and accounting measurement tools in some development phases and their absence in others (Hewege, 2012). Moreover, ambivalence, disagreement, and overlapping with other fields of knowledge (Machin, 1992) – for example, cybernetics, organizational design, social process, politics, power, contingency theory, and uncertainty – have excessively diversified

MC discourses regarding conceptualization. Nevertheless, this work offers a working definition of monologic MC:

> Formal systematic monitoring systems, procedures, and tools that are designed to facilitate managers' control over subordinates. These systems aim to achieve organizational goals and objectives through regulating not only relations between managers and subordinates but also their behaviour and communication. Moreover, they include other informal arrangements which combine ceremonies, myths, rituals, politics, negotiations, and compromises that are useful for legitimizing and maintaining a system's power, control, and authority.

Although these discourses mentioned much, the rise of risk was absent from them for two reasons: MC scholars were not yet thinking of risk issues as part of their work (Otley and Soin, 2014); also, risk discourses were not apparent until the early 2000s (see next section). Since then, risk discourses have exploded and become a risk-phobia, which needed dealing with as it became everywhere, covering everything (Power, 2004a, 2004b,2007).

2.4 ERM Conception and Precursors

Until the early 2000s, MA scholars and practitioners regarded RM Models (e.g. value at risk or portfolio management) as merely tools for finance experts and insurance underwriters (Otley and Soin, 2014). This perception changed after the 2008/2009financial crisis as everyone felt nobody to be immune (Harris, 2014; Soin et al., 2014). MC scholars especially felt that monologic MCSs, which were built to face uncertainties, were struggling with increasing uncertainty and heterogeneity (Bourne, 2014; Otley, 2014). Consequently, MC scholars had to accept that RM had expanded beyond insurance, finance, and engineering into governing and controlling.

The new conception that 'the field of risk management can be seen to incorporate the entire MCS field' (Merchant and Otley, 2006: 787) produced debate. RM expansion not only subsumed MC practices but also expanded to manage and control everything (Power, 2004a, 2007). This explosion includes mutations and changes in RM conceptions, which led to Enterprise risk management (Power, 2007; Jordan et al., 2013; Soin et al., 2014). ERM tools and conceptions are now totally different from traditional RM models, which concentrate on probability and risk mitigation. Therefore, the next subsections trace changes in RM conceptualization with the rise of ERM, including how this new conception invaded MAC.

2.4.1 Risk Mitigation Alignment and Explosion

Current RM techniques' roots are in probability theory, portfolio theory, and statistical analysis of data such as census (Power, 2007), which all directed attention both to the relationship between risk and return and to the benefits of portfolio diversification. Actuarial specialists' use of arithmetic and counting in numbers made insurance portfolio expectations more accurate, decreased insurance companies' costs for acquiring capital, and lowered customers' premiums (Mikes, 2005).

Until the late 1980s, everything seemed under control and most risk discourses concerned natural disasters like floods or manmade risks like road accidents. These were not problematic as insurance policies covered them. However, serious manmade disasters spiked, beginning with the Chernobyl disaster (Gallati, 2003; O'Malley, 2004). This and other late modernity threats made dealing with uncertainty key discourse; consequently, post-industrial society moved towards the risk society (Giddens, 1990; Beck, 1992).

The risk society explains the rise of neo-liberal systems and, for Beck (1992), the world represented a volcano of civilization – one that also came from modernity's success, which produced risks through unleashing destructive forces such as global warming and Ozone layer depletion (Beck, 1992; O'Malley, 2004). Critically, modernization risks were incalculable so probability and estimation became inadequate: although possible catastrophe was identifiable, its probability and magnitude were then unclear (Beck, 1992). Although this situation theoretically fuels risk avoidance, in the 1990s it initially produced apathy as the 'What can we do?' approach was no longer deemed a practical proposition (Power, 2007; O'Malley, 2004).

This nevertheless changed. Beck (1992) actually blamed Western governments for explosions in risk discourses because of their democratic policies and transparent risk assessments through national security discourses. Soon 'risk management idea started to became part of the official description and self-understanding of central government activities in late 1990s' (Power, 2007: 17). Numerous RM guidelines followed for governmental departments, which produced public awareness about new types of risk (e.g. reputational). RM started permeating institutions management for security and legitimacy, but how and why did RM conceptualization change from mitigation and security to control and accountability?

It changed when it appeared in the governance discourse that emerged after recurrent corporate scandals of 1990s. These scandals were presented as problems in controlling and managing, which can be abstracted as MC failure. This failure was then subsumed into operational risks, and the proposed solution was governance principles and guidelines (Pickett, 2005b; Power, 2007). Corporate governance was abstractly introduced as a new control system to deal with these scandals. However, while many governance studies were being conducted such scandals were escalating globally (Pickett, 2005a, 2005b). A powerful tool was thus urgently needed to control and return the lost trust in corporations and their management; the solution was to reinvent internal control (Spira and Page, 2003).

Internal control (IC) shifted shape from technical and bureaucratic aspects to public discourses through its profound transformation of organizations and regulatory significance (Power, 2007). This transformation was scandal-laden but co-extensive with RM and governance (Spira and Page, 2003; Bhimani, 2009). Hence, IC adopted regulatory philosophy and strategies to handle uncertainty (Power, 2007) though its initial reconceptualization began with successful privatization movements during the 1980s – when traditional governmental command and control was no longer applicable. Pleas multiplied for IC discourses to rise with increasing corporate collapses (which most lobbies called control failures) that furthered managers' risk taking behaviour (Spira and Page, 2003; Power, 2004a, 2004b). What intensified the need for such reconceptualization was the relationship between risk and governance, which was inseparable from IC.

Corporate self-regulation through IC was crucial and indeed inevitable. However, states became increasingly committed to an indirect supervisory role and demanded a re-organization of the collective and individual components that constitute organizational life. This re-organization needs effective IC. Corporate managements needed to comply and similarly build strong IC systems to retrieve the trust they lost (Power, 2007). Despite this, internal self-governance and external regulatory processes became blurred as internal control was 'part of a new governmentality of organizational life in which traditional distinctions between mandated and voluntary regulation is blurred' (Power, 2007: 41). This unclear distinction allowed innovative implementation processes.

Such innovative implementation resulted in companies' heterogeneous processes and practices, and calls for holistic cybernetic systems to bridge this diversity followed (Spira and Page, 2003). COSO (1992) noted how an "internal control-integrated framework" was therefore trialled. Afterwards, sound IC was deemed important for organizational objectives and strategy formulation (Power, 2007) as the good governance that organizations required came through designing and implementing sound IC (Jones, 2008). The mutation in IC, governance, and RM conception and practices heralded a new arena of changes; as IC is intertwined with both governance and RM, it was manageable under the guise of accountability to make risks more measurable, quantifiable, and avoidable (Spira and Page, 2003). Clearly, by the late 1990s control and governance were "enterprise wide" practices as they were diffused with the collective holistic ideas of RM (Power, 2007; Soin and Collier, 2013).

2.4.2 Risk Climax: ERM Efflorescence

ERM efflorescence was affected by many non-governmental organizations and professional institutions (Jordan et al., 2013). These institutions tried to depict how this new ‘Enterprise Wide’ cybernetic system could be envisioned and applied (Gallati, 2003), but this offered no more than piecemeal guidance – until COSO updated its earlier guidance, and IC became a subcomponent of ERM (Power, 2007; COSO, 2004). This new notion of RM gave management a bird's eye view of organizational processes and activities.

ERM does not offer clearly defined processes and procedures, yet it is a popular managerial discourse that existed in many lobbies (e.g. regulators, financial specialists, insurers, and accountants) for handling increased uncertainties through organizational control and governance (Power, 2007). This amorphous nature of ERM comes from comprising hybrid methods and mechanisms that previously remained separate (e.g. governance, IC, risk maps, risk metrics, value at risk, risk registers, management control tools, and more). Perhaps expectedly, poor integration was found on implementation (Mikes, 2005, 2009; Power, 2007) and an apparent implementation heterogeneity was reported (Arena et al., 2010).

ERM is ‘the culmination of risk management explosion that started in 1990s’ (Arena et al., 2010: 659); it operates with a wider remit, enabling spread beyond its initial financial risk agenda. This new agenda’s concerns range from strategic objectives to operational practices so, unlike traditional RM, ERM is, in a more managerial sense,

> [A] process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage

> risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
>
> (COSO, 2004: 4)

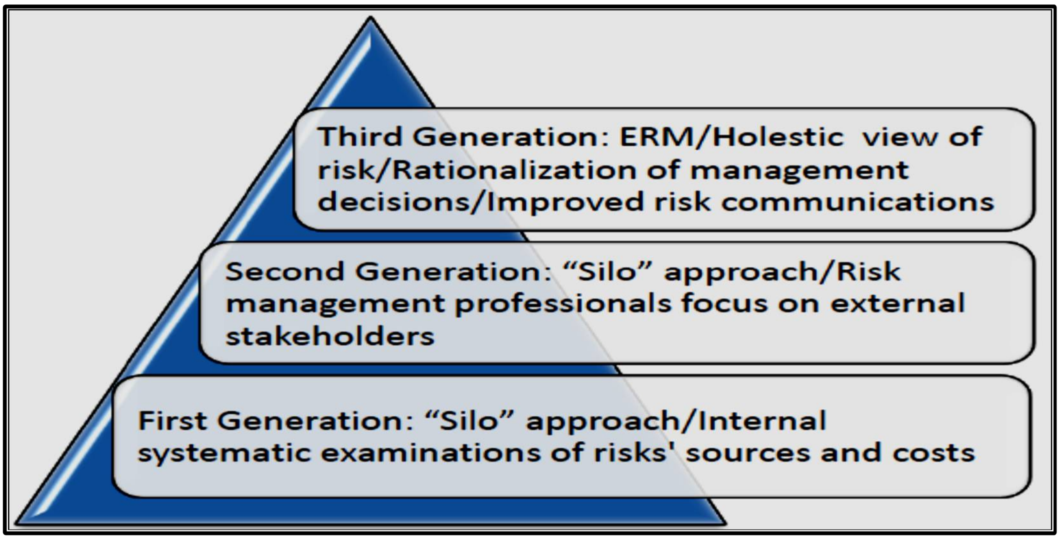
This calls into mind Anthony's (1965) widely quoted definition of cybernetics MC as the 'process by which managers influences other members of the organization to implement organizational strategies' (cited in Otley and Berry, 1980: 235). Hence, ERM changed risk perception into strategic MCS (Mikes, 2005).

As a strategic MCS, ERM represents various things: ongoing and flowing processes that are affecting/effected by people at every level of an organization; applying controls within strategy setting and implementation; offering a whole-enterprise scope at every level; identifying potential events that may affect the entity and managing risk within its risk appetite; and working on separate and overlapping categories of plans and objectives (COSO, 2004). ERM can thus be regarded as 'an ideology of managing the firm in every respect and aligning it with value creation at each stage of decision making and goes well beyond risk measurement and management' (Rao and Dev, 2006: 430). Having passed through many diffusion processes, ERM is clearly beyond traditional RM. But in what sense is it different?

RM developments came in three generations. The first two were based on a silo risks analysis, which involves focusing on one risk type from many. These were dominant until the late 1980s, so they were consistent with how companies had established their information flows. The main difference between these is that the former focused on internal risk sources and costs, especially on mitigating theses, while the latter expanded through professional bodies' requirements to include external stakeholders. However, focus differ the same assessing models were used (Jabbour, 2013).

The third generation, representing the birth of ERM, moved away from the silo approach towards corporate-wide, holistic, and collective RM (see Figure 2.1). Its major feature is rationalizing management decisions and improving communication about risk. Hence, it requires different functions to communicate with each other properly. ERM is therefore very different from an innovative technology or model that has identified procedures to follow. It is a blueprint that aligns and realigns risks within strategy formation and implementation. Consequently, it took risk management beyond using only normative or descriptive tools by combining both with MC, IC, and governance tools for a hybrid system that picks and selects from innovative tools to identify, assess, respond, monitor, and control uncertainties surrounding the company (Soin et al., 2014; Fischer and Ferlie, 2013).

Figure 2.1 Risk Management Generations



(Source: Jabbour, 2013: 4)

Analyzing ERM precursors offers various insights. First, corporate governance shares with MC an interest in supervision, incentives, monitoring, and managerial decision making – but at different levels. Whereas MC studies hierarchical and hybrid control relationships within and between organizations, corporate governance concerns the relationship between shareholders, the board of directors, and the CEO (Speklé and Kruis, 2014). Secondly, ERM shares many issues with contingent MC. As COSO doubted framework universality, each company could design and implement its own practices. In addition, ERM represents responses to corporate scandals and risk-phobia (Power, 2007) while MC represents responses to environmental and technological uncertainties (Miles et al., 1978; Waterhouse and Tiessen, 1978; Otley, 1980).

Thirdly, they have common ground regarding control levers and ERM's frame as both package and manage using heterogenic tools. Hence, Simons (1995) built MCS that can react to risks and uncertainties surrounding organizations, but ERM's specialized risk management framework seeks objective achievement using control systems to monitor activities and operations. Both frameworks thus seek the same end but with different implications and implementation steps. Fourthly, ERM's strategy and planning focus resembles the main objective of Balanced score card (BSC); furthermore, in Tesco PLC Woods (2007) found intertwinement between BSC and the newly embedded ERM.

In short, RM and MC have been brought increasingly closer through issues around public accountability (Otley and Soin, 2014; Speklé and Kruis, 2014). Evident common ground between ERM and MC literature ranges from cybernetics to recent innovations like BSC and control levers, though relevant aspects need clarifying. These include how MC scholars reacted to ERM efflorescence, how RM interacted with the pre-existing controls, and if any unintended consequences of risk based management control (RBMC) exist, which the next section discusses.

2.5 ERM-Led Heterogenic MC Practices

Although RM has gained genuine significance in practice and in other disciplines' literature, research in MC literature regarding RM design choices and how they help organizations deal with risks is incipient (See Berry et al., 2009; Hopper and Bui, 2016) and largely insufficient. Some studies criticize ERM's loose framework for leading to heterogenic practices without empirical usefulness (Tekathen and Dechow, 2013; Power, 2009); others just make theoretical comments on albeit increasing discourses (Bhimani, 2009; Soin and Collier, 2013; Power, 2004b, 2007). Hence, this important new academic area needs more research.

RBMC literature resembles an archipelago without connected semantic conclusions as contradictory opinions abound. Some see ERM very differently from MC and are surprised by the former's increasing discourse. For them, MCSs always handled risks and uncertainties (Smith and Tombs, 2000). Others are even wary about ERM expansion as it threatens MCS – they believe ERM discourse will subsume MC (Power, 2007; Merchant and Otley, 2006).

Although existing MC supposedly conflicts with this new discourse (Otley, 2014; Fischer and Ferlie, 2013; Otley and Soin, 2014), certain voices welcome RM and MC diffusion as it helps the latter mature and evolve (Woods, 2007; Broadbent and Laughlin, 2014). More neutrally, some scholars simply investigate how this hybrid ERM has happened (Hayne and Free, 2014; Miller et al., 2008) or how tools like risk maps can mediate between the two systems (Miller and O'Leary, 2007; Jordan et al., 2013). Many questions evidently need asking and more research is required as ERM-led MC studies resemble small black dots on white paper: the dots are what is known; the remaining white area represents what needs to be known (literature gap). The next subsection reviews relevant studies and discusses ERM heterogenic practices then clarifies the research direction.

2.5.1 RBMC Conceptualization and Practices

MC studies' response to the rise of risk was late and initially reluctant regarding changes in the surrounding environment. It eventually implicitly acknowledged the environment as being subject to high degrees of uncertainty and change but only because of seeing MCS as static and unchanging rather than dynamic (Otley and Soin, 2014). Berry et al. (2009) and Hopper and Bui (2016) noted this very late response issue as they reported shortages of RBMC studies while reviewing emerging MC themes after the financial crisis and growth of ERM.

Collier and Berry (2002) made an early attempt to understand the relationship between risk and budgets through four exploratory case studies. They concluded that interviewees' risk perceptions and actions are socially constructed. They identified four risk domains – financial, operational, political, and personal – that influence the content and process of budgeting. Next, they identified three budget types relating to risk influence: Risk Modelled, Risk Considered, and Risk Excluded. By excluding some risks and considering others the budget process was deemed different, but there was little evidence of risk modelling. As these were exploratory case studies the authors requested more studies on the budget processes within the emerging risk society.

When risk society discourse became real through proliferating regulative requirements, such regulatory RBMC motivated some critical voices to warn about the 'risk management of everything' (Power, 2004a) – particularly regarding unintended consequences from codifying and standardizing uncertainty handling and RM procedures under the ERM umbrella. Others expressed concern about the 'risk of control' (Berry et al., 2005) giving organizational participants less room to manoeuvre from regulations. Such prescriptivism may leave insufficient flexibility for unexpected situations.

Consequently, RBMC may offer 'illusions of control' (Otley and Soin, 2014) and bring two main risks of controls: a belief that risks are well assessed, identified, and controlled, while unforeseen circumstances may arise; and controls preventing risky activities from being undertaken, causing missed opportunities. So although RBMCs are essential to manage risks, over-reliance on formal codified procedures can be counter-productive (Berry et al., 2005). Regardless, RM advocates and indeed discordant critics are weakened by the dearth of empirical studies or interpretive and critical case studies that describe and explain actual RM arrangements and risk managers' roles in everyday organizational life (Mikes, 2005).

Collier et al. (2007) said MA texts had limited risk conceptualizations because MA linked to rational concepts and probability, primarily in capital budgeting decisions, to reflect unpredictability. Their observations from four extended case studies were that organizations may conceive the budgetary system as a rational system and seek to close it off from external influence. Budgets are often single-point estimates rather than a range of possible outcomes. In essence, they are designed within an implicit protective boundary. The authors suggested that other budget types (e.g. risk included budgets) may occur in other contexts given their relationship with budget participants' social constructions at different levels of analysis, which affect budgeting processes. In their study, interviewees said management accountants' skills were not appropriate for wider involvement in RM.

Within the debate about ERM's relevance to MC research, Mikes (2005) argued that ERM represents a new control process that is inherently social and political. Hence, when risk specialists make risk assessments for business units to identify the company's total risk map, they may propose changes to internal capital allocations, control procedures or tools, or strategic objectives; in short, they may directly affect planning and control processes if these contradict necessary actions to mitigate and deal with risks. Within this, different business units with conflicting profit and capital interests are often competing for their own agenda rather than compromising and reaching settlements for overall company operations. Here, ERM opens diverse possibilities for overall strategy and control, which depend on different units' power, manoeuvres, and political skills.

Woods' (2007) study on utilizing RM to enhance RBMC's strategic success intensified the debate. Against many previous results, Woods postulated successful fusion between BSC and ERM because they overlap theoretically, in many objectives, and in certain processes. Through a Tesco PLC case study she declared that these complementary roles were the main reason for the company's better strategic MC. Here, ERM identified and mitigated risks which then formed strategy targets for BSC. Line managers played crucial roles in identifying and assessing risks and the internal auditor controlled and monitored all operations. The main factor for successfully diffusing ERM was that people did it without knowing they were doing it.

ERM implementation is thus complex and cross-functional in nature. ERM has built-in RM practices that should influence processes dramatically. Factors such as size, business type, strategic orientation, professional associations, and corporate culture can also affect the extent to which this blueprint penetrates everyday life at the micro level (Jabbour, 2013). This realization urged for more studies on ERM conceptualization, limitations, and processes. In response, a new wave of theoretical papers surfaced to understand what lies underneath ERM’s broad umbrella.

One was Miller et al.'s (2008) study, which saw people as living in a hybrid world. They criticized most previous studies on accounting and controls for choosing traditional organizational forms and neglecting this hybridization blueprint. They also argued that organizational management is nowadays rapidly transforming into RM, which manifests through hybrid practices, hybrid tools, and various expertise beyond traditional conceptions of control or even formalized ERM procedures. The reason for such increased hybridity, they say, is increased uncertainty surrounding organizations, which has made organizations’ management more proactive.

More understanding about this hybridization blueprint came after the 2008/9 financial crisis as hybridity and its apparatuses have since been used more extensively, while ERM, which offered very little during the crisis, was called a ‘risk management of nothing’ (Power, 2009). From this change in ERM conceptualization scholars studied how hybridization was formed and how it sustained its valuable position despite its limited role during the crisis. Building on governance and internal control literature, Bhimani (2009) concluded that changes in perceptions and implementation happen because RM and governance are socially constructed and thus shaped by the contexts they inhabit.

This social construction is intensified through softer compliance regulations that do not compel companies to follow certain rules. As such, enterprises seek not only to adopt ERM but also to make it transparent, visible, and communicable to the public for more legitimacy; organizations are thus turned “inside out” as a direct response to public demands for control and governance (Power, 2007) where separating MC from RM or governance discourses is inappropriate because the

> control process is definitionally typified by the intent to monitor the degree of alignment between organizational activities and precepts of desirable managerial outcomes. Placing boundaries on risk taking and organizational

> functioning by identifying acceptable variances from predefined parameters of action is fully part of the definition of management control.
>
> (Bhimani, 2009: 4).

The produced heterogeneity and hybridity made scholars ask why ERM continues after offering so little in the financial crisis and why many seem obsessed with it and its adoption without analyzing its shortfalls. Power (2009) says Risk appetite is poorly defined in most ERM frameworks, which causes different innovative determinations; this affects the control and RM system and may cause RM of nothing or fragile RM systems. Moreover, it represents a severe intellectual failure because it comes from changes in accounting thinking about financial governance and IC, which built a financial RBMC that appears to be holistic and comprehensive but is not. ERM is consequently becoming a box-ticking compliance exercise. The proposed solution was "business continuity management" and its non-financial expertise that offers much help in reshaping ERM.

Power’s study criticized ERM but did not explain why it is still extending, though perhaps Agamben’s ‘permanent state of exception’ (Huber and Scheytt, 2013: 88) and Foucault’s dispositif[2] clarify how RM is an exception built on reputation and blame, which implies fear, anxiety, and use of power by elites to make extraordinary measures. This state of exception and imbalances in power resulted from reproducing societal values, which determine organizational responses. Hence, risk brings a more comprehensive sort of power that can determine risks rather than manage them, as elites play with fear and anxiety so more calls come for more RM to retain security. Such an exception may replace MC gradually as the former advocates reconstructing more responsive RM systems and going beyond the myopia of standardized approaches by questioning the validity and sufficiency of ERM. Based on this, Huber and Scheytt (2013) suggested that practitioners should fight for their freedom from RM dispositif to get good uncertainty handling.

Although previous studies provided insights into understanding ERM, they often ignored its limitations and reasons for continuing so such work added little to how organizations, managers, and subordinates can absorb and react to complicated ERM conceptualizations and increased global risks. Woods' (2009) study partially filled this gap by analyzing, through a public sector council case study, how contingent variables can shape MCS. She identified central government policies, information and communication technologies, and

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[2] Dispositif was first introduced by Foucault. It refers to various institutions, administrative mechanisms, and knowledge that enhance and maintain the exercise of power within society.

organization size as contingent variables that shape MCS. But, like most contingency studies, this work contained little about micro level practices so further case studies and deep analyses on running RBMC are required, including on how cultural and political factors affect tools and implementation processes (Soin and Collier, 2013).

Mikes (2009) studied two calculative cultures (“enthusiasm” and "sceptical") in two financial institutions, particularly how they affect RM and controls. Regarding the former, risk managers sought involvement in strategic planning, performance measurement, and controls. In the sceptical culture, shape managers used quantitative risk technologies as learning methods to give risk trends as required. They also perceived no need to quantify everything, so most decisions were made without quantifications, and the control system was regular monologic MCS. However, risk managers who believe in quantification allowed the RM team to control the full company by numbers and scenarios, and even MCS became a risk based management control and performance measurement was directed mainly towards financial performance measurement techniques.

ERM thus penetrated organizational life and cascaded to various decision making and many control practices, whether through quantitative enthusiasm cultural tools like Value at risk (VAR) and other sophisticated actuarial models, or quantitative sceptical cultural tools like worst scenarios, game theory, or expertise experience, so ambiguous RM decisions were taken and regular performance measurement system exists. This situation return us to (Simons, 1995, 2000) diagnostic and interactive uses of controls, and how successful control systems depend on how the tools are used not on the tools or system itself (Mikes, 2011).

Departing from cultural effects on MC practices, Arena et al.'s (2010) study took the debate forward to examine and explain ERM implementation problems and heterogeneity. Deploying multiple case studies, they concentrated on how ERM is translated and used by actors who are directly concerned with managing risks. Building on Rose and Miller's (1992) governmentality concept, the study concluded that ERM is a new managerial guise that has different implications from traditional risk handling and that heterogeneity and divergences in implementation from the original COSO model (2004) in practice have many explanations. First, clashes with pre-existing control centres affect the fusion and level of ERM embeddedness. Second, management perceptions about RM affect actions, as is apparent in internal environments and risk communication within enterprises. Finally, the organizational space given to experts in the control and decision centres differs across organizations (e.g. based on power or risk perception and absorption).

Their study also revealed that risk maps have a very limited role in ERM implementation and is far removed from decision making processes; instead, hybrid "ERM-Budgeting" has emerged. Tekathen and Dechow (2013) argued against defining ERM as activities that lead to organizational alignment and accountability. Unlike previous studies, they focused on ways institutional practices are practised rather than on individual actors; they also studied the broader cultural frameworks created and lower level activities in the organization, concluding with three main insights. First, ERM systems draw out how uncertainty creates organizational space for heterogeneity, personality, and otherness. This produces blurred daily business operations as, unlike accounting, it has no homogeneous accounts or information to help participants throughout the organization easily obtain what they require. In short, it ‘offers “intelligence” beyond the coherence and homogeneity, which accounting systems represent’ (Tekathen and Dechow, 2013: 100).

Secondly, ERM realigns subject and object continually, which causes separation rather than integration and complexity but also difficulty in handling these separated risks. Thirdly, it gives participants ‘stewardship of everything and nothing’ (Tekathen and Dechow, 2013: 118) as it produces unstable, incomplete, and complex information about threats that encourages users’ innovative and critical engagement to gain clarity. The study concluded that ERM creates inverse information system hierarchies that push complex, unsolved, and abstract information to top management; also, ERM implementation will not reduce uncertainties but in its current form will actually increase and produce more uncertainties.

The aforementioned heterogeneity in implementation and earlier ERM critiques (Power, 2009; Berry et al., 2005) leave questions regarding RM diffusion in MC. Such questions, previous research, and unsolved issues have motivated scholars to study RM, especially regarding supply chain, risk effect on partner selection, transfer pricing risks, and some technologies like risk maps as mediating instruments (Dekker et al., 2013; Ding et al., 2013; Jordan et al., 2013). Partner selection and formal contracts as an approach in managing transaction risks in inter-firm relationships was studied by Ding et al. (2013). They examined mediating risk notions in the selection and contractual dimension, concluding that when companies face increased transaction risks they tend to select their partner and thus rely on trust-based and reputational selection criteria. They also value common cultures with partners and make more complex contracts as the transaction scope increase to decrease prospected risks.

Similarly, Dekker et al. (2013) examined how MC practices could be used to manage supply chain risks; again, trust, goodwill, and reputation along with competence and MC practices were deemed important factors. They concluded that buyers rely on suppliers who have goodwill and trust in risky transactions, while trust in supplier competencies facilitate supply chain management (SCM), though when there are monitoring problems and/or technological unpredictability SCM becomes limited. They also acknowledged that risk and its implications may go beyond the contract and influence practices used to manage co-operation between firms in the supply chain.

New RM and MA research areas now include transfer pricing, mediating instruments, universities RM, and medical risks. Transfer pricing is risky by nature and increasingly treated as an RM topic (Rossing, 2013), especially as regulations change continually and rapidly – making it increasingly complex. Many institutions around the world (e.g. OECD) realized this recently. Rossing's (2013) study triangulated contingency perspective with levers of controls (Simons, 1995, 2000) to examine the impact of the tax strategy on MCS in multinational enterprise facing transfer pricing tax risks. It concluded that MCS design and implantation is contingent on the tax environment and how multinational enterprise responds to it. Moreover, belief systems and interactive controls reinforce the values on which the tax strategy is based and motivates learning regarding the tax environment. Also, the boundary system and diagnostic controls can constrain and guide participants' acceptable behaviour and ensure and monitor profit margins.

Jordan et al. (2013) studied mediating instruments and risk technologies to clarify relations between MC and RM. Their case study focused on risk maps in inter-organizational project collaborations, showing how risk representation technologies such as risk maps can be mediated and used beyond their conventional role as RM technology. Latour's (1987) notion of "inscription" and triangulating it with "mediating instruments" (Miller and O'Leary, 2007) clarified many issues. First, ERM technologies can be deployed as mediating instruments for actors to adjudicate interests and build confidence regarding project overtime. Secondly, risk maps play crucial roles in building commitment and project identity; hence they are platforms for mediating concerns between actors in an inter-organizational setting. Moreover, risk maps are powerful devices that offer simple pictorial identification of risks in a standard tabular image. Thirdly, risk maps can be easily integrated into RM and governance documents and reports. Fourthly, risk maps might work differently in other contexts as context and cultures affect roles.

Soin et al. (2014) studied universities' RM, especially cascading risk technologies and lower levels of organizations (the management level, where much control activity was enacted, had more diverse views on risk). Competing aims, lack of system engagement, and reluctance to engage were all evident in academic attitudes towards RM. For academics, this managerial/bureaucratic style of control challenged traditional (Otley and Soin, 2014) values of autonomy, creativity, and collegiality (Ezzamel, 1995). For academic staff, RM represented administrative tasks they know little about but see as interference to their intellectual work and judgements on controlling academic risks regarding students (e.g. progression, recruitment patterns, and the viability of new courses). However, though they disliked RM's supposed interference in academic life, staff and students did not resist risk technologies such as risk registers and risk maps. Also, if students or staff members are travelling to collect data they must complete risk assessment forms and consult specific risk maps, then get ethical approvals; these are routine practices, despite sometimes seeming unnecessary. Overall, then, cascading risk technologies as new controls are not actually disruptive in UK universities.

Finally, Fischer and Ferlie (2013) studied the clinical ethics that resisted hybridization with ERM rule-based regulations. Building on Foucault's lectures on governing the self and others but also mobilizing Foucauldian heuristics (Foucault, 2011a, 2011b), the study explained how certain pre-existing clinical ethical or moral RM modes resist hybridization. For them, ERM represent a rule-based mode of regulation that conflicts with clinical ethics. This resistance emanates from contradictions between two modes of clinical RM. Unlike recent sociologically orientated accounting literature on accountability and RM regimes that document hybridization processes (Woods, 2007; Miller et al., 2008; Arena et al., 2010); the authors' study explores how and why ethics orientation can explain decoupling of rule-based systems. In a longitudinal case study in UK mental health care, the study reported contradictions and escalating conflict between ethics-orientated and rule-based systems, which triggered organizational closure. The study neglected specific reasons why perverse contradictions emerged rather than complementarity ones that supported hybridization. They concluded that interactions between local conditions of strong ideological loading, high emotional and personal involvement, and rising rule-based risk management produced this escalating, intractable conflict.

2.5.2 Theoretical Debate Around RBMC

Contemporary RBMC research shows that while both RM and MC were reshaped to be heterogenic, many other issues have been changing theoretically and methodologically. RM discourses is going beyond formalized ERM regulation or even packaging of formal MCS. RBMC discourses and regulations now include power, fear, politics, mediation, hybridization, and fusions within these hybrids and disciplines. Conceptualizing these issues have involved diffusing many theories and notions like Latour's inscription and translation, Foucault's dispositif, governmentality, ethics and hermeneutics, mediating instruments, and hybridization.

Such concepts have not been used in describing or questioning monologic controls. Using Foucault often reflected fixations on disciplinary power, archaeology and genealogy but has now moved to governing society rather than the soul of descendants (Martinez, 2011). Latour's concepts were not used before supply chain based organizations proliferated, which made understanding networks and resource flows more complex. Moreover, hybridization, mediating concepts and theories, and triangulations escaped 1980s studies so important question on risk society, hybrids, connections, and the complex world seemingly needed answering alongside requirements for more complex frameworks and theories to understand what surrounds MC in the risk era.

This work argues that detaching society from MC studies caused unclear reasoning for actions and that extremely complicated theories on ideas and life are not needed – we just need to study the latter. Many theories and complicated models have been deployed to describe ERM and RBMC conceptualization while very little covers the real life of real people. Moreover, studies that articulated people's real life in everyday control systems used simple ideas like ethics (Fischer and Ferlie, 2013) and cognition or even avoided defined theoretical frameworks (Soin et al., 2014; Collier et al., 2007) to let the data speak and reflect both reality and people's perceptions and reactions to changes.

Another issue regarding theoretical mobilization is much use of Foucault's gaze (O'Malley, 2004; Miller et al., 2008; Miller and Rose, 2008; Arena et al., 2010; Huber and Scheytt, 2013; Jordan et al., 2013; Tekathen and Dechow, 2013). This gaze understands risk as a 'technology of government' whereby risks are not intrinsically real but instead are a particular way in which problems are viewed or 'imagined' and 'dealt with' (O'Malley, 2008: 57). Technology of government has its calculative apparatus to control populations.

Concentrating on this preclude the existence of resistance, while Foucault’s last lectures focused more on freedom, liberation, self-caring, and care for others (Kosmala and McKernan, 2011). It also gave ERM more legitimacy as a common working practice for control, though not everywhere (Fischer and Ferlie, 2013). Hence, culture and context differences involve different implications.

Future RBMC studies should concentrate more on social, political, economic, institutional, and contextual factors rather than technical aspects of MC and ERM. This research strand should prioritize indigenous workers’, employees’, and managers’ everyday living, including how people coexist with, contain, or confront the ERM blueprint. Hence, it may have different or common values, cognition, sense making, norms construction, ways of communication through changing structures and producing overlapping roles, and documentation cycles. Nevertheless, the benefits or unintended consequences ERM brings companies and people need clarifying.

Some studies (Power, 2009; Tekathen and Dechow, 2013; Otley, 2014; Otley and Soin, 2014; Soin et al., 2014) report experiencing unintended consequences. As RBMC produces fear, anxiety, and defensiveness inside organizations (Otley and Soin, 2014), risk could be seen as nothing and/or everything, depending on how organizations see and analyze surrounding situations (inside and outside uncertainties) through management’s strategy, mission, vision, objectives, and whatever else affects them.

RBMC’s pervasiveness raises questions about concerns being more about factual uncertainties or perceived anxieties, whether these produce more even once they are managed, and management’s roles in controlling these processes (Otley, 2014). An unintended consequence of applying RBMC to satisfy external accountability demands comes from focusing on standardized procedures and box-ticking compliance (Power, 2009). This creates ‘illusions of control’ by feeling secure through managing risks just to satisfy external stakeholders (Otley and Soin, 2014). Consequently, RBMC moved from seeking better control to obsessing with efficiency and effectiveness for supposed ‘security about the future’ (Lowe and De Loo, 2014: 240).

This move increased fears about making mistakes in organizations, albeit within ‘notions of permanent progress’ (Lowe and De Loo, 2014), and such fears restrict organizational behaviour and manoeuvres (Collier et al., 2007; Berry et al., 2005). Obsessing about security neglects an important ERM limitation – operational risks (from people’s actions, systems, and internal processes), which need more control than quantification and risk technologies. COSO's (2007) review of its conceptual frameworks noted this, stressing the importance of risk controls in achieving organizational objectives (cited in: Soin and Collier, 2013).

This underdeveloped but rich literature is based within the developed world, so studies reflecting other cultures would enrich it further. Individuals, organizations, and environments are neither independent nor completely programmable; therefore, managers with different backgrounds, learning, and cultures will feel risk differently and act accordingly (Harris, 2014). Feeling risk is crucial in case certain risks are ignored simply because they seem accounted for (Soin et al., 2014). Having said this, ERM is taking place in the West, and its tools are penetrating and cascading to micro levels, changing people's everyday lives. Whether it is welcomed or not, ERM still exists and cascades.

Questions arise about less developed countries and ERM regarding what has been discussed in other contexts so far. Actually, we know nothing about it as MC in LDCs literature (e.g. Wickramasinghe and Hopper, 2005; Wickramasinghe and Alawattage, 2007; Hopper et al., 2009; Hopper et al., 2012; Ansari and Bell, 1991; Wickramasinghe, 1996; Uddin and Hopper, 2001) offers much about perceptions of MC in LDCs but ERM or even Risk is absent – except for Subramaniam et al.'s (2011) study. Using surveys in Malaysian financial institutions, they concluded that MA and RM are complementary parts of the studied institutions' performance management systems.

Consequently, this work fills a serious gap regarding risk construction and implementation in an LDC – namely Egypt. By deploying institutional logics to analyze an Egyptian insurance company case study, this work investigates everyday ERM practices in this context, studying how Egyptian employees and managers are perceiving and reacting to ERM imposition. This is a response to calls made by Bhimani (2009) and Soin and Collier (2013) to study ERM in different cultures and thus understand its cultural, political, and economic consequences. By mobilizing an institutional logics perspective that concentrates on how meanings, values, norms, and rules are framed but also how individuals make sense of the world around them and act accordingly, this study fills another evident literature gap regarding people's sense making, values, and identities.

2.6 Chapter Summary

This chapter has explored insights from MC studies regarding moving from monologic to heterogenic practices in ERM implementation, IC reinvention and corporate governance. This change had many unintended consequences like bringing illusions of control, moving to box ticking rather than real RM processes, and losing growth opportunities if MC fully moved to risk identification and mitigation. Obsessions with risk and following loose ERM conceptualizations produced greater uncertainty in decision making rather than reducing it, ultimately increasing anxiety throughout the organizational culture and possibly affecting organizational operations in the long run.

Moreover, both MC and RM have changed and been reconceptualized around public accountability discourse, which intensified needs to combine them. This combination changed both through blending their apparatuses, which were incompatible. Such hybridization produced an elusive and underspecified ERM conception, urging both MA and RM scholars to study this hybridization. Studies revealed that ERM produces heterogenic meanings and practices based on cultural, political, and contextual surroundings. However, these have been studied insufficiently outside Western contexts. Accordingly, such non-Western case studies are needed to learn more about ERM perception and implementation. This specific issue was the main moving driver of this study. In a connected world ERM is a pervasive global phenomenon that is penetrating everywhere; if it is not applied willingly in LDCs, it will be imposed on them – as many previous developmental and somewhat experimental projects were. Importantly, how ERM was perceived and implemented in a geopolitical periphery, so this study addresses MC in LDC literature, which lacks information about this blueprint.

While reviewing the theoretical frameworks deployed in Western RBMC literature, I found that many studies mobilized Foucauldian-inspired concepts like governmentality and Dispositif, which leave little room for resistance. Most of them reported successful diffusions and cascading RBMC apparatuses. This study continues this endeavour to understand how RBMC is working, but the lens is different from others as it focuses on values, cognition, and sense making, but also how these factors affect the implementation of RBMC. It does so through deploying and extending an institutional logics perspective (see Chapter 3). Having said all this, the work concentrates on bringing society back through proposing a new radical position to understand both risk and logics.

Chapter 3 The Geopolitics of Institutional Logics

3.1 Introduction

This chapter presents a theoretical framework that supports the subsequent case study analysis. The proposition advanced here is that MA change is a geopolitical phenomenon that feels the place, its politics, and their effect in shaping community identity through political games. In this, MA may possess new meaning in creating a geopolitical shield against unwanted imposed logics. Such logics are determined by the collective identities of community members who share not only the same place and sense of place but also understanding, cognition, and beliefs. These shape certain ideas and actions.

Understanding MA as a geopolitical phenomenon aids understanding of how/why people in an LDC can accept/reject the change from a monologic to heterogenic system through ERM implementation. They know, understand, and live with the former, while the latter is imposed on them and involves many structural and procedural changes. These bring political games, training, changes in their daily lives, and understanding of the control system and company surroundings/contexts. Such changes require proper understanding of the place, the community, and the logics that influence what they do, including how their perceptions and understanding are formulated and how these affect their actions. This is crucial as different people in different places may have the same understanding but react differently, or they may have different understanding but react the same.

The chapter is organized as follows. Section 2 presents an overview of the institutional logics perspective theoretical puzzle. Section 3 explores relevant literature and identifies gaps in this by discussing how accounting and organizational studies have deployed and extended logics perspectives. Section 4 outlines the meaning and histories of geopolitics. Section 5 depicts and explains theoretical triangulation and its model. Finally, Section 6 summarizes the chapter.

3.2 Institutional Logics: An Overview

Institutional logics is a new meta-theory for institutional analysis that has combined and refined many principles from previous institutional models (e.g. transaction cost economies, neo-institutional sociology, old institutional economics). It represents a superior theoretical framing to all old institutional models, as will soon be discussed, and has many principles that are crucial for understanding how people in a geopolitical periphery understand and react to new issues within their context. One such principle concerns duality between agency and structure, whereby people's understanding and actions are framed by higher orders (logics) though people's collective identities reciprocally help shape these higher orders. This principle largely solved the problem of superiority of structure over action in Neo-institutional Sociology studies (Thornton et al., 2012).

A particularly important principle for this work is how logics are historically contingent, so formulations and interactions between logics depend on the place's history, which relates to geopolitics. In other words, institutional logics are highly compatible with my storyline as they enable extraction of logics from practice to understand them through higher orders – hence, how/why ERM was resisted in a specific place through its collective identities. (The iteration process of choosing logics is discussed in Chapter 4.)

Institutional logics is defined as

> the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences.
>
> (Thornton and Ocasio, 2008: 101)

This definition reflects how logics have combined many issues from previous institutional analysis models (e.g. normative, symbolic, and material aspects of institutions). This general broad shape took time. Logics main ideas were firstly pollinated by Meyer and Rowan (1977) and Zucker (1977) as a new variant approach of institutional analysis that concentrated on culture and cognition. From a macro perspective and drawing on Weberian ideas of legitimacy as a source of formal organizational structure – which may not be related to how technical work activities are coordinated and controlled – Meyer and Rowan (1977) illustrated how modernization played a pivotal role in producing new forms of regulations and roles that became taken-for-granted. This led to isomorphism in organizations' formal structures. Hence, organizations and their management were compelled to conform with external environments requirements to retain legitimacy. In short, some parts of organizations had to be loosely coupled and/or decoupled from everyday organizational life for organizations to gain legitimacy.

From a micro perspective, Zucker (1977) concentrated on disjointing the taken-for-granted nature of institutions by explaining the role of cultural persistence and how it can be a measure of institutionalization for certain roles or practices. Hence, their study demonstrated that individuals perceive taken-for-granted rules or institutions as ‘facts’ and that

> [the] Internalization, self-reward, or other intervening processes need not be present to ensure cultural persistence because social knowledge once institutionalized exists as a fact, as part of objective reality, and can be transmitted directly on that basis…The grandparents do not have to be present to ensure adequate transmission of cultural meaning.
>
> (Zucker, 1977: 726).

Consequently, institutionalizing logic or any higher order is driven by cognitive processes, and these processes lead to taken-for-granted understandings and behaviours (DiMaggio and Powell, 1991). When institutionalized, such behaviour and sense making are not easy to change as people adhere not to practice but, unconsciously, to the logic(s) behind practices or behaviours (Thornton et al., 2012).

Current institutional logics followed Friedland and Alford's (1991) criticisms of neo-institutional theory for not situating “actors” in a societal context. Hence, they argued that society and social relations are about not just material structures but also culture and symbols. Having said this, their work was not a theory on environmental effects on organizations; rather, it was a meta-theory for institutions that includes individuals and organizations. Their critique extended to cover Actor network theory, which explained how human and non-human actors are connected but not why, or why power and status do not have universal effects. Their view of society as constituted by multiple institutional orders helps in understanding the broader array of organizing by people and organizations.

Departing from previous critiques, Friedland and Alford (1991) focused on macro aspects of bringing society influence back into institutional analysis. Scholars extended this macro work by examining how institutional logics moderated organizations’ selection theory (Haveman and Rao, 1997) and strategic decisions (Thornton and Ocasio, 1999). Thus, Friedland and Alford's (1991) seminal work and these other empirical studies created a new approach to institutional analysis called institutional logics (Thornton and Ocasio, 2008; Thornton et al., 2012).

However, this new approach shares with Meyer and Rowan (1977), Zucker (1977), and Dimaggio and Powell (1983) a concern about how culture and cognitive structures shape organizational structures. It differs from them in two significant aspects. First, the focus is no longer on isomorphism but seeks understanding of how institutional logics affect individuals and organizations in various contexts. It is also concerned with how individuals and organizational actors contribute to shaping and changing institutional logics; this entails that, unlike isomorphism, logics perspective deny the superiority of the structure over the people (Thornton, 2004). Consequently, by providing a link between institutions and action, the institutional logics approach provides bridges macro and structural perspectives (Meyer and Rowan, 1977) with Zucker's micro process approaches, which addresses the critique of isomorphism (Thornton and Ocasio, 2008; Thornton et al., 2012).

Secondly, institutional logics is a meta-theoretical framework for analyzing inter-relationships among institutions, individuals, and organizations in social systems. Thornton et al. (2012) argued that it helps researchers understand how individuals and organizational actors are influenced by their situation in multiple social locations in an inter-institutional system. The seven institutional orders – family, community, religion, state, market, profession, and corporation – in their theoretical model each has unique organizing principles, practices, and symbols that influence individual and organizational behaviour. Institutional logics thus represents frames of reference that condition actors' choices for sense making, the vocabulary they use to motivate action, and their sense of self and identity. The principles, practices, and symbols of each institutional order differentially shape how reasoning happens and how rationality is perceived and experienced.

This meta-theory also incorporates how institutions shape heterogeneity, stability, and change in individuals and organizations. One main proposition is that the interests, identities, values, and assumptions of individuals and organizations are embedded within prevailing institutional logics. Moreover, decisions and outcomes come from the interplay between individual agency and institutional structure (Thornton and Ocasio, 2008). This distinguishes institutional logics from macro structural approaches, which emphasize the primacy of structure over action (Dimaggio and Powell, 1983). Nevertheless, it also conforms with Giddens' (1984) duality of social structure and action; hence, this duality assumes that individual actors are simultaneously constrained and enabled by existing social structures. For Giddens (cited in Thornton et al., 2012: 7), 'Social structures are composed of rules, resources, and practices that are both product and platform in the enactment and reproduction of social life.'

Although Thornton et al. (2012) agree with and applaud Giddens' (1984) work, they called it an incomplete project because he depicts actors as knowledgeable, reflexive, and voluntary in enhancing and maintaining their power, but his framework has not clarified how roles shape/what role shapes the cognitive frame of actors' self-interests and power. It only identified what rules actors select and what resources their attention focuses on using. It also neglects how individuals see their own and others' behaviour. Evidently, Giddens concentrated on structures, roles, and interests but omitted a clear conception and effect of social systems. Moreover, institutional logics' meta-theoretical main assumptions contradict with Giddens regarding using resources to enhance or maintain power. Institutional logics concentrates more on the social part in this process and how and why individuals use power to express their interests, as individual choice may take forms different from the use of power in different situations depending on their location within inter-institutional systems (Thornton and Ocasio, 2008; Thornton et al., 2012).

Thornton et al.'s (2012) institutional logics perspective also needs differentiating from logics of action (DiMaggio, 1991; Boltanski and Thévenot, 1991), as logics of action writings evolved in parallel to the institutional logics perspective. Although this literature has strong connections with the institutional logics perspective, both Thornton and Ocasio (2008) and Thornton et al. (2012) differentiated their perspective from logics of action by presenting their meta-theoretical approach as superior because it can subsume such studies.

This differentiation is needed. DiMaggio (1991) first borrowed ideal types from Weberian writings but these were then deployed and mobilized by Thornton and Ocasio (1999), Thornton (2004), and Thornton et al. (2005) to extend Friedland and Alford's (1991) work shaping contemporary conceptions of the former's meta-theory. Through mixing ideal types with institutional orders they clarified how sources of rationality will/may change with changes in institutional orders. This adds to institutional analysis by challenging early neo-institutional theory studies, which tended to divaricate behaviour into pairs only – for example, rational versus non-rational or technical versus institutional (Meyer and Rowan, 1977; Dimaggio and Powell, 1983).

Boltanski and Thévenot's (1991) work was explored by Thornton and Ocasio (2008) and Thornton et al. (2012) as they all deployed ideal types to specify different institutional orders, which Boltanski and Thévenot (1991) termed '*polities*'. Each of these has its unique definition of worth and criteria for evaluating worth. So, for them, the 'polities' are similar to institutional orders, because they justify and reproduce different types of social practices. Boltanski and Thévenot (1991) identified six different worlds and/or institutional orders: inspired, domestic, fame, civic, market, and industrial. Through these six worlds many scenarios may occur depending on what is considered legitimate under whichever world is dominant, then changes and compromises may occur depending on the negotiating context then evaluated using an ideal type. For Boltanski and Thévenot (1991), compromises are less fragile when groundwork embeds them in these worlds' specific arrangements, assuming the embedding is congruent with these worlds' logics.

Many connections and similarities exist between economies of worth and institutional logics perspective. Hence, both use ideal types to depict higher orders, and both are interested in culture, cognition, and sense making, and how these issues affect people's understanding. They may have disagreements and/or compromises based on this understanding of the world or situation. Consequently, Thornton et al. (2012) state discuss logics of action and institutional logics:

> Both posit the existence of conceptions, models, or logics at a supra-organizational level and either implicitly or explicitly emphasize the role of culture in how individuals and organizations interpret and engage in practices. These examples also illustrate a more systematic analysis of the interrelationship between individuals, organizations, and the environment…[yet] logics of action research is more focused on the sense and decision-making consequences of different institutional logics than on the role of institutionalization in shaping logics.
>
> (Thornton et al., 2012: 35)

As Thornton and Ocasio (2008) further explained, logics of action deemphasize institutions' structural and normative aspects and concentrate more on the action and reaction of competing worlds. They miss the constraints logics impose on actions and perceptions, so the institutional logics perspective is superior to logics of action as it focuses on the three complementary and necessary aspects of institutions (structural, normative, and symbolic). In short, institutional logics concentrate more on institutions and institutional analysis more than actions and reactions.

The next section concentrates on critical evaluations of recent logics studies and how these studies, as described by Pache and Santos (2013a) and Besharov and Smith (2014), are controversial because of contradictory results. It also identifies certain gaps in deploying institutional analysis, as others have already been identified such as Cloutier and Langley's (2013) point that this area lacks deep analysis in micro levels, especially as most studies concentrate on macro (country or market level) or meso (organizations' management) levels. Significantly, micro levels represent employees and middle managers' everyday practices, the logics that drive them, and how their agency is present despite pressures from higher levels.

3.3 Institutional Logics Mobilization: Logics Multiplicity Consequences

Neo-liberalism brings increasing institutional connectedness and demands multiplicity within organizations. In recent organizational studies, demands for multiplicity were met by mobilizing institutional logics (Besharov and Smith, 2014). Multiple institutional logics within organizations is common across diverse fields from manufacturing to services, and many studies report that organizations usually experience multiple but sometimes conflicting institutional logics (Thornton and Ocasio, 2008; Pache and Santos, 2010; Greenwood et al., 2011).

Such multiplicity has produced three related phenomena: institutional complexity (Greenwood et al., 2011; McPherson and Sauder, 2013), institutional pluralism (Kraatz and Block, 2008), and institutional hybridity (Pache and Santos, 2013a, 2013b). These related phenomena require more research on logics multiplicity and its consequences. The next subsection discusses such research, especially regarding problems from such multiplicity and how this multiplicity could be translated and understood in LDCs.

3.3.1 Complexity Hybridity and Pluralism

Firstly, most complexity studies conclude that multiplicity is associated with ‘inherently incompatible’ logics (Greenwood et al., 2011: 332) and institutional complexity concerns situations where organizations are confronted with ‘incompatible prescriptions from multiple institutional logics’ (Greenwood et al., 2011: 318). However, certain previous studies on complexity presuppose that competing logics produce complexity. Other studies concluded that multiple logics can coexist or combine to formulate hybrid organizational forms or practices (Battilana and Dorado, 2010; Dunn and Jones, 2010; Goodrick and Reay, 2011; Pache and Santos, 2013b, 2013a).

Secondly, hybrid organizations can combine different institutional logics (Battilana and Dorado, 2010; Van den broek et al., 2014; Pache and Santos, 2013a, 2013b). In addition, Van den broek et al. (2014) noted possibilities for having hybrid practices within organizations, explaining that such practices combine symbols or norms from more than one institutional order. Pache and Santos (2013b) added that hybrid organizations can combine competing logics through 'selective coupling', which they explain:

> In contrast to decoupling, which entails the ceremonial espousal of a prescribed practice with no actual enactment, selective coupling refers to the purposeful enactment of selected practices among a pool of competing alternatives. Selective coupling allows hybrids to satisfy symbolic concerns, just as decoupling does.
>
> (Pache and Santos, 2013b: 993–994)

Pache and Santos (2013b) add that selective coupling is superior to practice-level hybridizing strategies such as compromising (Oliver, 1991) as the latter requires negotiations to select what you will get from conflicting logics (Battilana and Dorado, 2010; Pache and Santos, 2013b). Consequently, selective coupling is a less costly strategy but also provides insights into using "cultural toolkits" for agency and reflexivity to solve competing logics issues (Tracey et al., 2011).

Competing logics are sometimes unavoidable and cannot be handled easily by hybrid organizations, as some challenges associated with these have reported (Pache and Santos, 2013b). Yet hybrids can develop a strong identity that focuses members' attention on convergent means (Battilana and Dorado, 2010; Pache and Santos, 2013b). Most hybridization studies oppose isomorphism as hybrids do not blindly comply with institutional pressures, according to Dimaggio and Powell (1983), or can decouple, as Meyer and Rowan (1977) proposed, so they can blend and manoeuvre logics (Binder, 2007) because they can access repertoires of institutionalized templates and combine these in unique ways.

Thirdly, institutional pluralism is when the environment has more than one dominant logic, generating multiple institutional identities and mythologies that legitimate organizations:

> If institutions are broadly understood as 'the rules of the game' that direct and circumscribe organizational behaviour, then the organization confronting institutional pluralism plays in two or more games at the same time. Such an organization is subject to multiple regulatory regimes, embedded within multiple normative orders, and/or constituted by more than one cultural logic.
>
> (Kraatz and Block, 2008: 243)

Pluralism can generate incompatible prescriptions for organizational action (Greenwood et al., 2011), which may cause conflicts between blocs who are adhering to different institutional logics (Kraatz and Block, 2008). Reay and Hinings (2009) note that plural logics successfully coexist in the Alberta health care field because the actors consider none to be dominant. Dunn and Jones (2010) investigated the factors influencing science and care logics within the medical profession, concluding that at the organizational field-level logics contradictions were considered transitional as they cause ‘shifts’ when one dominant logic replaces another.

Pluralism studies often address how the existence or non-existence of a dominant logic can affect reactions to pluralism (Thornton and Ocasio, 2008; Cloutier and Langley, 2013), noting several ways plural logics can interact within organizational fields. Kraatz and Block (2008) say that organizations that combine and/or host multiple logics in a sustainable way are gaining more legitimacy and market support. Pluralism here therefore parallels hybridization in institutions.

Reviewing studies on complexity, hybridity, and pluralism revealed possibilities that ‘logics may peacefully coexist, compete with one another, supersede each other, provide an opportunity for blending or hybridization or result in a compromise or temporary truce’ (Meyer and Höllerer, 2010: 1251). Many studies confirm these divergent results. Some scholars conclude that multiple logics in organizations are associated with rivality, contestation, and conflict (Reay and Hinings, 2009; Vit, 2011; Ezzamel et al., 2012; Pache and Santos, 2013a), which may lead to organizational demise (Tracey et al., 2011); however, others say some companies like logics coexistence (McPherson and Sauder, 2013; Battilana and Dorado, 2010; Dunn and Jones, 2010) or logic blending (Binder, 2007; Reay and Hinings, 2009), which may lead to sustainable and innovative organizations and solutions (Jay, 2013; Kraatz and Block, 2008).

All possibilities are evident in logics multiplicity. Despite this, competing logics through logic multiplicity is the main issue in most literature (Ezzamel et al., 2012; Pache and Santos, 2013a; Besharov and Smith, 2014; Thornton and Ocasio, 2008). Competing logics literature specifically rests on the assumption that organizational members’ attitude, cognition, and action towards a given logic(s) is driven mainly but not solely by the degree to which they have been embedded in this logic through prior education or professional experiences (Dimaggio and Powell, 1983).

This assumption’s premise is thus that education and professional experience introduce individuals to a coherent set of institutional cues. However, contemporary studies suggest they are rarely one dimensional and that, usually, individuals are exposed to multiple competing logics (Reay and Hinings, 2009; Vit, 2011). Consequently, many recent studies (Pache and Santos, 2013a, 2013b; Besharov and Smith, 2014) have tried to add to our understanding about how individuals get exposed to institutional logics and how they relate them to their realm and everyday practices.

Calls to concentrate on micro level analysis emanate from a lack of this in early logics studies. Most operate at the level of the field and focus on the conditions that promote the diffusion and persistence of logics at specific levels. In contrast, very few empirical studies have explored how organizations actually cope with the presence and demands of multiple logics. One exception is Battilana and Dorado (2010), who identify the hybridization of hiring and socialization policies as key ways of achieving balance between commercial and development logics in microfinance. Pache and Santos (2010), also operating at the level of the organization, offer a different approach, hypothesizing that organizations' responses to multiple logics depend on the extent to which logics are "represented" inside an organization and on the balance of power between the representatives.

However, these scholars attempted to understand only organizational level responses to such multiplicity and related conflicts in logics (Greenwood et al., 2011; Greenwood et al., 2010) but mostly neglected micro level individuals' experience and their response to such rivality; indeed, unfortunately 'few studies have dug deep…to open the "black box" of institutional processes under conditions of multiplicity' (Cloutier and Langley, 2013: 3). Concentrating on the micro level is really crucial to see and understand the extent to which institutionalization occurred, as macro and meso level analyses per se reflect only response strategies to external pressures. For more objective analyses of institutionalization processes, micro level actions and reactions should be analyzed properly (Oliver, 1991).

In addition to the reported blind spots in the logics literature, this work has identified others (the analysis model develops these to add to logics multiplicity theorization). First, this literature has given little insight into the conditions under which different outcomes (rivality, coexistence, or blending) arise, although recently Besharov and Smith (2014) introduced logic centrality and compatibility as a governing principle of conflict/coexistence logics. Centrality is

> …the degree to which multiple logics are each treated as equally valid and relevant to organizational functioning. Centrality is higher when multiple logics are instantiated in core organizational features that are central to organizational functioning and lower when a single logic guides core

> operations while other logics manifest in peripheral activities not directly linked to organizational functioning.
>
> (Besharov and Smith, 2014: 369)

Compatibility is

> …the extent to which the instantiations of logics imply consistent and reinforcing organizational actions. Consistency regarding the goals of organizational action is more important for compatibility than consistency regarding the means by which goals are to be achieved. This is because goals reflect core values and beliefs and are evaluated based on a logic of appropriateness, making them hard to challenge or modify.
>
> (Besharov and Smith, 2014: 367)

Centrality and compatibility are the main drivers in my model of analysis to understand and clarify the instantiation of a geopolitical shield in an LDC (another blind spot in institutional logics studies). Hence, the logics perspective with its seven orders – family, religion, state, market, profession, corporation (Friedland and Alford, 1991), and community (Thornton et al., 2012) – was mobilized in Western studies to understand and/or test these orders on Western cultures (Thornton and Ocasio, 2008; Thornton et al., 2012). Still, very few studies have mobilized institutional logics perspectives in non-Western cultures (e.g. Chung and Luo, 2008; Zhang and Luo, 2013).

Studying non-Western cultures may have other implications and orders: family and community relations as orders will be different from Western conceptions; the state order and its interventions in the economy and individuals' lives differs in Egypt (as a Middle East and developing country) from Western governing; religion is also different, as Western communities are mainly Christian but in Egypt most are Muslim (Huntington, 2002). Consequently, the duality between agency and structure may have different levels and methods than in Western organizations. Thornton and Ocasio (2008)raised these issues when requesting more cultural explorations using logics perspective to understand how institutional orders affect cognition and action in different cultures.

To understand how individuals respond to logic multiplicity and competing logics in LDCs, which for me represent geopolitical peripheries, one must understand how individuals are exposed to logics. It occurs through different channels. First, as mentioned earlier, individuals experience institutional logics through their education, which produces legitimized norms and procedures (Dimaggio and Powell, 1983). Second, individuals experience institutional logics through embeddedness in organizational and professional fields that share similar goals, values, and practices with what they have already been educated on (Dimaggio and Powell, 1983). Finally, individuals are members of a society so are exposed to society's key cornerstone institutions (Thornton et al., 2012). These institutions provide the cultural symbols and practices that govern individuals' lives (Pache and Santos, 2013a).

These three ways for logic embeddedness are not equally salient (Greenwood et al., 2011). Hence, institutional orders' influence on individuals varies as a function of three main principles and their degree of existence, as Pache and Santos (2013a) identified: availability, accessibility, and activation.

> Availability refers to the knowledge and information that individuals have about a given logic. Accessibility refers to the degree to which knowledge and information about a given logic may come to mind. Activation refers to whether available and accessible knowledge and information are actually used in social interactions.
>
> (Pache and Santos, 2013a: 8).

Besharov and Smith (2014) acknowledged availability, accessibility, and activation in the micro level but added that with logic multiplicity organizations depend on logic instantiation whereby the level of centrality and compatibility of new logics prioritizes over the availability, accessibility, and activation. Consequently, my model of analysis concentrates on centrality and compatibility more than availability, accessibility, and activation in its attempt to grasp the totality of instantiation in coexisting/competing multiple logics in a geopolitical periphery (non-Western community).

Clearly, the logics may have different implications outside Western contexts, so what needs clarification is why geopolitics is needed to extend institutional logics. The next section explains this: it clarifies how logics new insights urges implicitly for geopolitical extension.

3.3.2 Logics New Directions and Geopolitics

Recent logics studies concentrated on the role of community (Lee and Lounsbury, 2015), identity (Kodeih and Greenwood, 2014), and politics (Yu, 2013) in shaping and reshaping logics and actions. These are relevant here because institutional logics involves patterns of beliefs, practices, values, assumptions, and rules that structure cognition and guide decision making in a given field (Thornton and Ocasio, 1999). Consequently, it influences individuals' behaviours by providing them with ready-to-wear means-end perceptions

(Thornton and Ocasio, 2008), by focusing their attention on a delimited set of issues and solutions deemed appropriate, and by providing them with vocabularies of motives and sense of self (Friedland and Alford, 1991).

Institutional logics may also shape individuals' practices, interests, and identities (Lok, 2010; Kodeih and Greenwood, 2014), though different communities may have different implications on their filtering, understanding, and reacting to surrounding multiplicities (Lee and Lounsbury, 2015). Broader aspects including politics and its games should also be taken into account (Yu, 2013). Hence, compliance with communal and broader political prescriptions is rewarded by social legitimacy, while their deviance is sanctioned (Rao et al., 2003; Pache and Santos, 2013a).

The current thesis needs a combination between community identity and politics to understand LDCs (logics literature has not studied such a combination regarding sense of place in geopolitics, so geopolitics thus extends logics in the present study) for three reasons.

First, community studies abound (Lounsbury, 2007; Marquis and Lounsbury, 2007; Marquis and Battilana, 2009; Greenwood et al., 2010) but mainly centre on how factors such as identity, value, and tradition increase community members' commitments to a particular geographic community (Marquis and Battilana, 2009). However, different kinds of communities can cultivate logics that are equally strong but that differ in the values and ideals that shape the behaviour of community actors. Lounsbury (2007) noted that the different value commitments associated with those community logics provide an important focal point for competition and animosity between actors.

Recently, Lee and Lounsbury (2015) suggested that the potency of community logics is more profound. They argue that different kinds of community logics not only facilitate different kinds of organizational behaviour but also enable different orientations to move towards broader field-level logics. Consequently, they concluded that communities can act as a filter for their actors to interpret and respond to pressures from wider field-level logics. They also theorized how the values and ideas of actors underlying different community logics can enable synchronization with different kinds of field-level logics that have compatible underlying values and ideas, facilitating the creation of different constellations or configurations of logics. Communities are evidently filters for what they want to accept or reject, and for the reciprocal relationship between how communities interpret and react to logics and the geographical location in which each community exists.

Secondly, identity effects on organizational interpretations and responses to institutional forces are important but not new concerns. Identity studies have two main forms: “organizational” (Gioia and Thomas, 1996; Gioia et al., 2013) and “institutional” (Glynn, 2008; Kraatz and Block, 2008). Both identities have been used as a basis for determining appropriate organizational behaviour. However, previous studies on identity concentrate primarily on how an organization responds to a logic that displaces another, so they neglect possibilities of coexisting multiple logics. Most also studied only one type of identity, either organizational or institutional, until Kodeih and Greenwood's (2014) study partly filled this gap.

Kodeih and Greenwood (2014) explored how organizations cope with multiple and sometimes conflicting institutional demands. They examined how four French business schools responded to demands to internationalize their management education while retaining their traditional identities. In contrast to earlier studies they analyzed both forms of identity (organizational and institutional) by tracing the role field-level actors play in pushing and articulating competing logics and by studying the importance of institutional and organizational identities in organizations’ responses. Highlighting the role of identity aspirations showed that what matters is not how an organization sees itself (i.e. what it is) but how it wants to see itself (i.e. what it wishes to become).

The recent rebirth of identity studies emanates from identity’s ‘function as a filter for interpreting and responding to strategic issues and environmental changes’ (Glynn, 2008: 418). This appreciation also relates to both types of identities, because part of organizational identity concerns status or prestige. Status matters because it can change or affect institutional choices, which influence how organizations interpret and react to institutional demands (Kodeih and Greenwood, 2014). The relationship between logics, practices, and identity was studied by Lok (2010), who introduced institutional logics as an identity project by explaining identity construction’s role in institutionalization processes. The study explored the implications of this new logic by analyzing how managers and institutional shareholders reconstruct their identity according to shareholder value. It concluded ways in which actors accomplish this paradoxical combination of new logic accommodation and resistance in their everyday talk and activities.

Thirdly, politics is a final dimension of logics insights. Currently, we know relatively little about how politics achieves organizational integration in the presence of institutional multiplicity. While early logics studies show the importance of inter- and/or intra-organizational politics (Thornton and Ocasio, 2008), little attention was given to politics' role in institutionalization processes until recently, when Yu (2013) examined this and how it can be affected by certain identities within logics pluralism.

Early institutional logics writings stressed the importance of politics as 'institutional contradictions are the bases of the most important political conflicts in our society; it is through these politics that the institutional structure of society is transformed' (Friedland and Alford, 1991: 256). Recent writings also value political situations and reactions, as some scholars recently have begun to theorize organizational politics as a dynamic link to broader political processes at the institutional level (Kraatz and Block, 2008). Thornton and Ocasio (2008) even said logics are 'embodied in practices, sustained and reproduced by cultural assumptions, and political struggles' (Thornton & Ocasio, 2008: 101).

Many studies on logics multiplicity mention power and politics but none investigate these issues deeply. Binder's (2007) study showed how the adoption of new organizational templates or inclusions of new logics affect the balance of power, personal commitments, and professional obligations of organizational actors. Similarly, Kraatz and Block (2008: 261–262) cite politics as means by which organizations develop as a 'self'. Scholars studying organizational responses to pluralism have recognized that organizational politics must engage in legitimating new institutional logics: 'When one set of taken-for-granted beliefs confronts an alternative one, "legitimacy politics" are likely to ensue within the organization' (Kraatz and Block, 2008: 254).

Building on and extending these early propositions, Yu's (2013) study investigated the political processes by which groups within organizations negotiate conflict that arises from multiple institutional demands. The paper questions how institutionalizing a new organizational template in a multiple institutional logics environment involves unique challenges where actors must negotiate conflict and carry out political manoeuvres. It also shows how organizations can develop and negotiate an identity as they cope with multiple logics. Although Yu connected politics to identity, she differs from Kodeih and Greenwood (2014) because she treats identity as constructed in response *to* complexity whereas Kodeih and Greenwood (2014) treated identity as a filter *of* complexity. However, despite this great insight into politics' role within institutionalization processes, relatively little is known about how politics achieves organizational integration or disintegration with logics multiplicity.

Consequently, my analysis model endeavours to combine aspects of previous insights – namely community, identity, and politics – by extending institutional logics to meet geopolitics. Geopolitics combines geography and politics. It concerns their effect both in shaping and changing communities' identities through political games and in how geography and communities have roles in these political games via reactions. Including geopolitics will also add to our knowledge a new lens to locate and understand political struggles, and how these can affect logic formulation, interaction, change, and stability.

3.4 Geopolitics: An Overview

This section considers what geopolitics is before the next section triangulates a clash of civilizations thesis as a geopolitical theory for institutional logics, formulating my theoretical model. Technically, geopolitics is part of human geography (Flint, 2006) – the branch of geography dealing with how human activity affects or is influenced by the earth's surface (beyond this study's scope) – though historically and analytically it has many other meanings. This work thus focuses on how geopolitics has been used analytically to produce multiple histories and meanings (Tuathail et al., 2003), what this research means by geopolitics, and why it is important for extending institutional logics perspective.

Human geographers see geopolitics as being concerned with describing and synthesizing a region's physical and social aspects. Knox and Marston (1998: 3) offer a definition: '[It is the] systematic study of what makes places unique and the connections and interactions between places.' Such uniqueness derives from the politics and spaces available for indigenous people within the place's political games (Flint, 2006), while place 'provide[s] the settings of people's daily lives' (Knox and Marston, 1998: 3). Indeed, places are sites of employment, education, and conversation. As they are unique with particular characteristics, they produce different experiences and understandings. These cause different reactions based on a certain community's previous experiences (Lee and Lounsbury, 2015; Marquis and Battilana, 2009).

Political geographers' do not think unilaterally and have no consensus on how they study geopolitics. Hence, their studies integrate many factors and theories to study it from different angles (Tuathail and Toal, 2005). Consequently, they are not dominated by one particular vision as many theoretical perspectives are in place (Flint, 2006). These range from neo-classical economics to Marxism and feminism into post-colonialism and different forms of postmodernism including Foucauldian governmentality studies of space and place (Tuathail et al., 2003; Tuathail and Toal, 2005). Consequently, to better understand how geographers think about place, one must understand what the place means and contains.

According to Agnew (1987) (cited in Flint, 2006: 5), places are combinations of location, locale, and sense of place. Location is the role a place plays in the world, including key industries, sources of employment, immigration, and military power. Locale refers to governing and helping institutions, politics, and identity. Institutional composition is crucial because people operate as part of institutions like families, schools, workplaces, communities of worship, labour unions, political parties, and sports clubs. These produce social day to day lives.

Finally, sense of place represents a place's identity. This forms collective identities within a place and influences an individual's identity, which comes from membership in numerous collective groups: gender, race, social class, profession, and nationality. Both identities guide people's actions, who they are, and what they can and cannot do. Sense of place thus constructs a place's identity and influences others – human and political (Cresswell, 1996). Consequently, a place's identity directly affects economic, political, and social relationships (Flint, 2006) so geopolitics relates geography with both politics and identity construction. Nevertheless, it has multiple histories and meanings based on time, place, and its situation so geopolitics needs discussing and indeed understanding in its historical and discursive context of use. To do so, this work briefly outlines the multiple histories and classifications of geopolitics.

Some Foucauldian geographers see geopolitics' emergence as related to British imperial power around the sixteenth century. For them, geopolitics is a governmentality tool that emerged alongside new knowledge to increase imperial control over colonies (Tuathail and Toal, 2005; Agnew, 2003). Here, geography is about power and is not innocent knowledge. Geography is not a product of nature but a product of histories of struggles between competing authorities over the power to organize, occupy, and administer space. Imperial systems throughout history, from classical Greece and Rome to China and the Arab world, exercised their power through their ability to impose order and meaning on space (Walberg, 2011; Slater, 2004).

In contrast, other scholars acknowledge that geopolitics was first used by the Swedish political scientist Rudolf Kjellen (1864–1922) in 1899 to describe the role geographical factors play in determining national behaviour (Chapman, 2011; Dodds, 2007), but they claim that geopolitics is situated knowledge so has changed from Kjellen's original meaning (Tuathail et al., 2003; Flint, 2006). Meaning change relates to changes in the world's political system – for example, from imperialism to both world wars and colonies' independence movements, then to Cold War politics and on to the new world order after the USSR's collapse (Agnew, 2003; Tuathail et al., 2003; Tuathail and Toal, 2005). Finally, we are now living in twenty-first century geopolitics amidst new directions such as the geopolitics of globalization, environmental geopolitics, and other issues like terrorism and collective means of handling the world's geography and economics resources (Sempa, 2002; Cohen, 2003).

Back in the late nineteenth and early twentieth century, Kjellen, Mackinder, Mahan, Ratzel, Spykman and other imperialist thinkers understood geopolitics as a part of Western imperial knowledge regarding relationships between the physical earth and politics. As imperial geographers, their thinking was based on increasing the colonized land so they studied geopolitics and formulated theories that helped their political position. Concepts such as sea power, land power, and finally air power were introduced to give way for how these powers could control the heart land or rim lands. These concepts were developed more by the Nazi's foreign policy goal of *Lebensraum* (pursuing more "living space" for the German nation). This stage ended imperial/classical geopolitics studies as it killed classical geopolitics, as the Nazi's thinking abused the concept of geopolitics so it was abandoned for some time (Cohen, 2003; Chapman, 2011; Sempa, 2002; Dodds, 2007).

By the end of World War II, western capitalist imperial powers combined as the West but were not the only player in the world Map as an eastern communist player emerged. The communist USSR against the West produced new geopolitical situations that required studying, especially how this new struggle should be managed (Tuathail et al., 2003; Walberg, 2011). The re-emergence of geopolitics initially seemed related to the concept's heavy use by American foreign policy makers and scholars like Henry Kissinger who extensively used the term to mean the US should be increasingly interested in and needed to understand geographical factors in international cultural, economic, political, and strategic development (Chapman, 2011).

During the Cold War some American geo-politicians like George Kennan articulated the American policy of “containment” against the USSR. The communist bloc was deemed not another superpower but an expanding threat that America need to deal with. Consequently, geopolitical knowledge became more about ideological identity and differences between the West and the East (Tuathail et al., 2003). It was also an image making tool for depictions about the West and the East (Flint, 2006). In this, the West’s image was more than a geographical region: it was a democratic community representing the highest standards of civilization and development. The Eastern bloc was depicted as less democratic, more hostile and a threat to the whole world. This was intensified beyond the media and geopolitical studies when President Ronald Reagan called the USSR “the evil empire” (Cohen, 2003; Tuathail et al., 2003).

Cold War geopolitics involved power games between the two superpowers to polarize more countries to each of the them (Klieman, 2015). In doing this, geo-politicians divided the world map into three areas: the first world (the West), the second world (the USSR), and the third world (poor and developing countries outside the first two areas). The last one was conceptualized as a zone of competition between the West and the East (Tuathail et al., 2003).

In the name of fighting for Easterners’ freedom and against Western imperialism, USSR geopolitical “experts” – like those in the US for inverse reasons – evaluated and surveyed the strategic value of regions like the Middle East, the Horn of Africa, southern Africa, Indochina, the Caribbean, and Central America. Geopolitics became a game for superpower politics played across the world map (Dodds, 2007; Tuathail and Toal, 2005). Such bipolar games caused many crises and wars inside the crash zone – unintended consequences of this new form of geopolitical studies. Examples include Soviet intervention in Hungary, Czechoslovakia, and Afghanistan, and American interference in Korea, Cuba, and Vietnam (Klieman, 2015).

Geopolitical conceptions and reactions experienced a crisis of meaning after the Cold War era ended around the 1990s when the cessation of struggles between Western capitalism and Eastern communism produced a unipolar political system. Many geo-politicians subsequently tried to define the essential contours of the new world order. Some attempts to redefine geopolitics were even made before the actual collapse of the Soviet Union, but intellectual experts like Francis Fukuyama and Edward Luttwak offered different visions of the post-Cold War new world order (Cohen, 2003; Tuathail et al., 2003; Chapman, 2011). Other scholars started turning their imagination to the new world order after the collapse like Samuel Huntington and recently Joseph Nye (Huntington, 2002; Nye, 2004, 2011).

Fukuyama (1992) claimed that humanity was reaching “the end of history” as most of the world would follow neo-liberalism processes and have a capitalist economy. In other words, all means of ideological conflict had been resolved because the international community generally accepted the superiority of liberalism. In contrast, Luttwak foresaw a world where states as territorial entities would continue competing with each other in geo-economic conflicts. He envisioned trade conflicts between the United States and Japan and a new West (United States) versus East (Japan) fault line developing in world affairs. Luttwak’s vision of geo-economics stresses the relative decline of states and the importance of transnational flows and institutions. “Transnational liberalism”, or “neo-liberalism”, deems the globalization of trade, production, and markets as both a necessary and desirable development in world affairs (Sempa, 2002; Tuathail et al., 2003). These new theories and imaginations caused a “geopolitics of chaos”, as geo-politicians tried to react to the chaos resulting from the USSR’s collapse (Ramonet, 1998).

Also against Fukuyama’s thesis, Huntington (1993) proposed the clash of civilizations thesis regarding an expected global war against Western and particularly American values. For the West to still lead this new world order it must understand how to deal with other civilizations that have different identities, norms, symbols, and values (Flint, 2006). Thus, it is no longer the West against the Eastern bloc but the West against the rest. This requires effort from the West to deal with other cultures (Tuathail et al., 2003; Tuathail and Toal, 2005). Civilization for Huntington affects politics, identity construction, and even economic co-operation so this is about not only geopolitics but also geo-power, geo-economy, and geo-strategy (Huntington, 2002).

Choosing the clash of civilizations thesis to extend logics can allow a focus on culture and identity, and how both can affect politics, economics, and reactions both at the macro and micro level. This explains how a Western project like ERM was understood differently by the case company, and why the case company through this understanding gave new meaning to RBMC especially as the required change in its culture and norms caused resistance. As Huntington’s thesis is very broad and contains many notions and assumptions, the current work will not cover all these. Which ones will be addressed to extend the institutional logics model therefore needs clarifying (see next section).

Finally, Joseph Nye – a former foreign policy maker and an American academic professor – has contributed much to new world order geopolitics. He is not extending the civilizational thesis and has the same objective of Huntington as both concentrate on how America can retain its dominant position in the world. His latest studies focus on the use of soft, hard (Nye, 2004), and cyber power (Nye, 2011). Nye criticizes America's extensive use of hard power (rather than spreading American values and merits through soft power) and initiating wars after 9/11, which gave America and the West problems in meaning and misunderstanding as a new imperial power in most of the world's countries, especially in the Middle East (Nye, 2004).

3.5 Towards a Geopolitics of Institutional Logics

This section introduces my theoretical model for the analysis chapters. The model incorporates logics multiplicity, centrality, and compatibility, along with the clash of civilizations' 'We and Them' vision. The theoretical model clarifies and reflects the complexity and specificity of certain identity constructions in places hostile to Western projects. It can also show how and when this hostility was produced in the community, and how the community misconceives others' intentions and how its misconceptions produce a geopolitical shield to protect the endogenous community's identity.

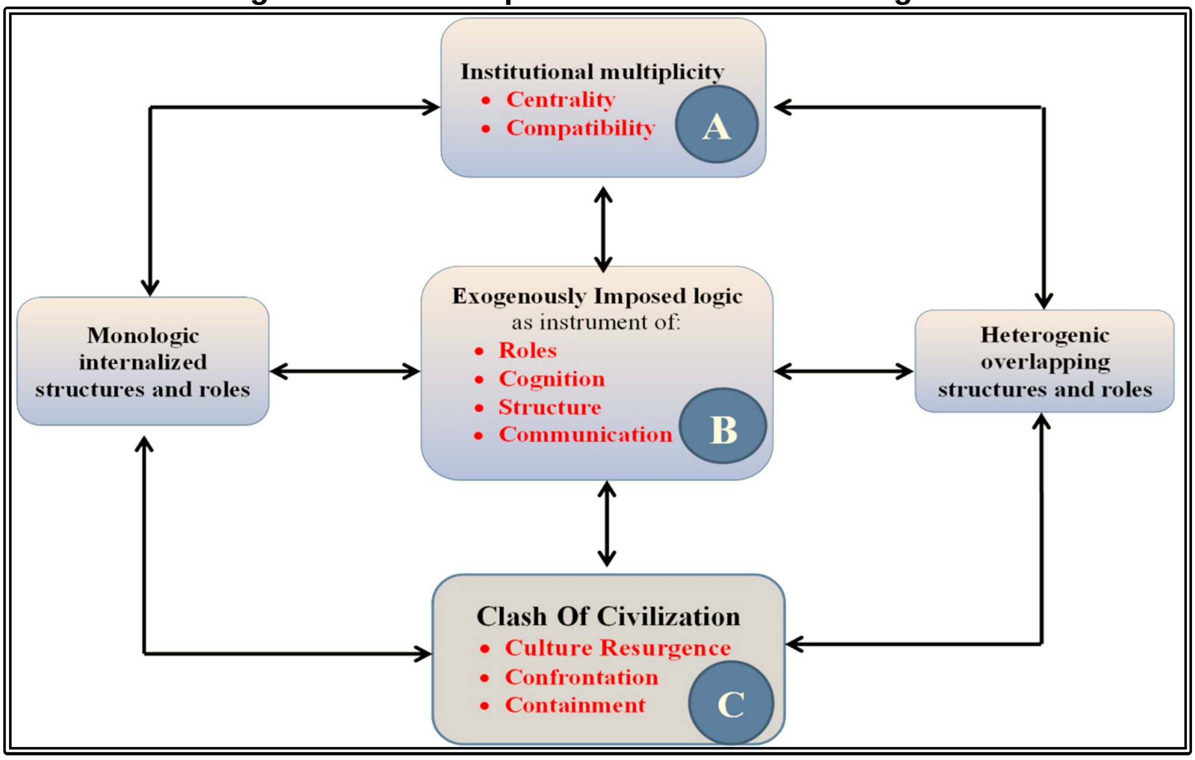
The model tries to extend community (Lee and Lounsbury, 2015), identity (Kodeih and Greenwood, 2014), and political (Yu, 2013) insights within an institutional multiplicity context (Greenwood et al., 2011; Pache and Santos, 2013a, 2013b; Besharov and Smith, 2014). The need for this emanates from the context studied because, as will be shown in chapters 5 to 8), in LDCs community, identity, and politics are intertwined and redefine absorbed foreign meanings, especially when a clash of civilizations discourse occurs. The clash of civilizations discourse, especially the 'We and Them' vision, calls for indigenous peoples' cultural resurgence to protect their identities, norms, and values from Western invasion which, in their minds, is directly connected to ERM impositions. This connection complicates the prevalence of the new logic in the place.

In practical terms, section 3.5.1 explains how logics multiplicity results come mainly from centrality and compatibility interactions. Section 3.5.2 explains how imposing a new logic with new communications and roles complicates the prevailing logics and produces logics competition and lost identities. Section 3.5.3 tries to explain how the identities lost through such contestations possibly produce a cultural resurgence against the imposed logic, which is understood as a sort of colonial invasion. Every section from those will be dealt with in a separate analysis chapter. Section 3.5.1 will be deployed in Chapter 6 for the analysis to clarify the coexistence of monologic controls logics (Pre-ERM situation); it will be done by explaining that the company had highly central and compatible logics. Section 3.5.2 will be deployed in Chapter 7 as ERM represents the exogenously imposed logic that causes new roles and cognitions but also complicates the company's pre-existing coexistence. This imposed logic causes logics completion and lost identities. Finally, section 3.5.3 will be deployed in Chapter 8, which explains the cultural resurgence because of such lost identities and the clash of civilizations discourse in the place. This discourse urged the construction of a geopolitical shield against the imposed Western logic.

3.5.1 Institutional Multiplicity

On Figure 3.1 Box A shows that the outcomes of institutional multiplicity depend mainly on logic instantiation. Instantiation is a function of both centrality and compatibility, these differ with changes in the level of analysis (macro, meso, and micro) (Besharov and Smith, 2014).

Figure 3.1 The Geopolitics of Institutional Logics



For Besharov and Smith (2014), the level of compatibility and centrality varies by the change in the level of analysis (field, organization, and individual). Hence, logic instantiation is influenced by intertwined operational mechanisms like number of professional institutions involved in the change process, centralization or fragmented management and control style, hiring and socialization processes, mission and strategy, and individual ties, as summarized below in Table 3.1.

Instantiation shares four main assumptions with institutional logics. First, macro level institutional logics affect organizations in many ways depending on various factors like geography, shared/conflicting history, and culture dominating the field (Greenwood et al., 2011). These socio-demographic or geopolitical factors affect directly and indirectly the identity of individuals in the micro level. Secondly, logics are assumed to be multiple. Even if it seems there is only one logic, this logic may be a salient logic that eclipsed other(s) or a blend of other logics that previously existed. Thirdly, the model values embedded agency and the role human agency plays in reformulating logics. Even if it seems that structures are very powerful, there must be human agency with a certain degree. Finally, the institutionalization and instantiation of logics within an organization and the relationships between them varies depending on many factors like time, exogenous events, and context (Besharov and Smith, 2014).

Table 3.1 Drivers of Variations in Compatibility and Centrality

Level of Analysis	Factors That Influence Compatibility	Factors That Influence Centrality
Institutional field	Number of professional institutions and relationship between them	Power and structure of field actors (i.e., fragmented centralization)
Organization	Hiring and socialization	Mission and strategy Resource dependence
Individual	Ties to field-level referents Interdependence	Adherence to logics Relative power

(Source: Besharov and Smith, 2014: 367)

3.5.2 Exogenously Imposed Logic

Building on Besharov and Smith's (2014) argument, when an exogenous change is imposed on an organization this increases the newly imposed logic's centrality (Thornton et al., 2005). If this change is compatible with the organization's old logics, an "Aligned" context with minimal conflict results because of high compatibility and high centrality. But if this exogenously imposed logic introduces new roles, cognition, overlapping structures, and communications, this leads to a "Contested" situation with extensive conflict between logics because of high centrality and low compatibility. After some time from introducing a new logic into an organization, if the external field pressures of having it decrease then logic centrality tends to reduce, which leads to estranged (moderate conflict) or dominant (no conflict) situations as new logic centrality decreased (Besharov and Smith, 2014).

Imposing the new logic also plays a pivotal role as it may make misconceptions more likely than if these were explained then subsequently accepted or even chosen. Hence, sense giving as communication directly affects translation and theorization (Ocasio et al., 2015), though how the message is transmitted is crucial as logics are built on very simple forms of cultural structures like conversations and vocabulary (Ocasio et al., 2015).

The current model values how micro level collective identities can affect the construction of higher orders and represent part of the embedded agency inside the context (Thornton and Ocasio, 2008; Thornton et al., 2012). It also counter argues Hyvönen et al. (2012) conclusion that the dominant logic change process is best achieved via exogenous jolts. Hence, as the analysis chapters explain, exogenous jolts may conflict with indigenous ones and thus produce a contested context, causing a geopolitical shield against the change.

Possibly external pressures in the field have long been realized in institutional theory studies (e.g. Dimaggio and Powell, 1983; DiMaggio, 1991; DiMaggio and Powell, 1991; Ezzamel et al., 2012; Hyvönen et al., 2012) as they may lead to decoupling (Meyer and Rowan, 1977; Uddin and Hopper, 2001; How and Alawattage, 2012) or loose coupling (Covaleski and Dirsmith, 1986; Guerreiro et al., 2012). But this has not been directly related to adopting innovative practices like ERM while logics multiplicity are in place (Van den broek et al., 2014). (Here, innovative practices concern those that make internalized structures and roles, or monologic controls, overlap in their implementation.) Therefore, concentrating on the exogenously imposed logic that changes monologic controls to heterogenic, my model can contribute to existing knowledge by studying the adoption and implementation of an apparently hybrid practice in a context where multiple, complex logics exist (Battilana and Dorado, 2010; Pache and Santos, 2013a, 2013b; Van den broek et al., 2014).

Situating logics in their context, the proposed model echoes existing logics' complexity studies (McPherson and Sauder, 2013; Greenwood et al., 2011; Besharov and Smith, 2014) wherein all logics have a strong value basis and core components that differentiate themselves from others (Thornton et al., 2012). However, such values and associated beliefs are instantiated in actors' practices and behaviours so they are carriers of logics in specific contexts (Almandoz, 2014). Consequently, analyses of institutional logics and their effects require paying attention to actors and the contexts within which action occurs. This is crucial because 'individuals and organizations are…aware of the differences in cultural norms, symbols, and practices of different institutional orders and [they] incorporate this diversity into their thoughts, beliefs and decision making'(Thornton et al., 2012: 4).

3.5.3 Clash of Civilizations

In a contested context, socio-demographic factors instantiate geopolitical shields against imposed logics that have high centrality and low compatibility. Hence, contestation pleas for cultural resurgence intensify cognitions that protect identities by stopping habits and cultural symbols from being subsumed by new, imposed heterogenic governance. Here I offer the clash of civilizations thesis as a proper geopolitical reaction that calls for culture resurgence. Civilization is

> …the highest cultural grouping of people and the broadest level of cultural identity…It is defined both by common objective elements, such as language, history, religion, customs, institutions, and by the subjective self-identification of people…Civilizations are the biggest 'we' within which we feel culturally at home as distinguished from all the other 'themes' out there.
>
> (Huntington, 2002: 43)

Huntington's (2002) clash of civilizations thesis questions many geopolitical and socio-demographic issues in the contemporary modernized world: culture and cultural identities and how they can produce cohesion or disintegration between communities; the relationship between power and culture; the shifting balance of power among civilizations; cultural indigenization in non-Western societies; conflicts generated by Western universalism; and the futures of the West and other civilizations. Hence,

> …in the post-Cold War world flags count and so do other symbols of cultural identity, including crosses, crescents, and even head coverings, because culture counts, and cultural identity is what is most meaningful to most people. People are discovering new but often old identities and marching under new but often old flags which lead to wars with new but often old enemies.
>
> (Huntington, 2002: 20).

Today's increasingly unipolar political system is a result of the West asserting its values, culture, and capitalism by imposing modernization projects on LDCs to protect its interests around the globe. Non-Western societies often confront this endeavour in resistance and to assert that their culture still exists and is perhaps even better (Huntington, 2002). This produces two worlds – "We" and "Them" (Hall, 2006) – through the spreading "The West And The Rest Discourse" (Huntington, 1993, 2002; Taylor, 2002; Cohen, 2003; Tuathail et al., 2003; Tuathail and Toal, 2005). The We and Them, as Huntington explained, is not a new issue in human history as it has happened before and reoccurs in different ways and using different concepts.

> People are always tempted to divide people into us and them, the in-group and the other, our civilization and those barbarians. Scholars have analyzed the world in terms of the Orient and the Occident, North and South, centre and periphery.
>
> (Huntington, 2002: 32)

In the new world order, both sides divide the world into we and them (Western and non-Western) but this is amplified by Western economic and military powers along with other "soft powers" via Western media control, ranking institutions, scientific journals, and book publishing control (Nye, 2004), and cyber power through controlling the internet and information sources (Nye, 2011). These "we and them" two worlds produce many unintended consequences, which are increasing daily. For Huntington (2002: 66), as the West asserts more pressure this will increase the gap between both parties:

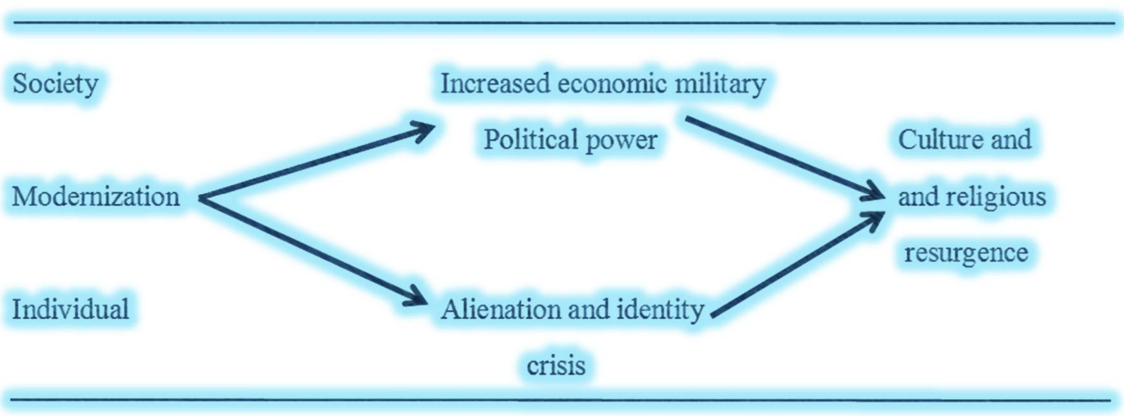
> The West won the world not by the superiority of its ideas or values or religion…but rather by its superiority in applying organized violence. Westerners often forget this fact; non-Westerners never do (2002: 51)… [and What] The non-Wests see as Western what the West sees as universal. What Westerners herald as benign global integration…non-Westerners denounce as nefarious Western imperialism. To the extent that non-Westerners see the world as one, they see it as a threat.

Western projects in LDCs have promoted the modernization and Westernization of these societies. Their political and intellectual leaders have responded to the Western impact in three ways: rejecting both modernization and Westernization (Rejectionism); embracing both (Kemalism); or embracing the first and rejecting the second (Reformism). Also, Western project have different effects based on their level of analysis. As Huntington (2002: 76) clarifies:

> At the societal level, modernization enhances the economic, military, and political power of the society as a whole and encourages the people of that society to have confidence in their culture and to become culturally assertive. At the individual level, modernization generates feelings of alienation and anomie as traditional bonds and social relations are broken and lead to crises of identity.

Modernization leads to cultural and/or religious resurgence to confront and/or contain the lost identity. The process of cultural resurgence as a reaction to modernization is summarized in Figure 3.2 below.

Figure 3.2 Modernization and Cultural Resurgence



(Source: Huntington, 2002: 76)

The above model seeks to fill the gap regarding socio-political aspects in RBMC literature. As Chapter 2 previously explained, risk includes fear, politics, and power, which all represent specific contextual ramifications that change through time and across space (Thornton et al., 2012; Soin and Collier, 2013). It is therefore important to understand indigenous employees' and managers' way of everyday living in a geopolitical periphery, and how these actors coexist with, contain and/or, confront the inclusion of ERM blueprint in their life as it would have different values, cognition, sense making, norm constructions, ways of communicating through changing structures and producing overlapped roles, and documentation cycles.

The current study is thus a response to Thornton and Ocasio's (2008) and Soin and Collier's (2013) calls to study other cultures, particularly how risk issues are implicated in these contexts. Hence, individuals, organizations, and organizational environments are neither independent nor completely programmable, which reflects how actors with different backgrounds, learning and cultures feel the risk differently and consequently react accordingly (Harris, 2014; Soin et al., 2014).

3.6 Chapter Summary

This chapter proposed the theoretical framework that supports the subsequent case study analysis. It did this by triangulating and extending an institutional logics perspective to meet geopolitics. The chapter started by introducing institutional logics' theoretical puzzle then discussed studies that mobilized logics to fill gaps in both logics theoretical puzzling and analytical studies. The chapter next examined gaps in the theoretical and analytical studies and identified the need to look closely at less developed counties' socio-demographic factors through triangulation with geopolitics.

In the last two sections the chapter defined geopolitics and its historical phases, then finally depicted, visualized, and explained the theoretical model of analysis. The proposed model adds to our knowledge a new lens for further understanding geopolitics and how socio-demographic factors can change conceptualization, logics formation, coexistence, identity formation, and filtering. Finally, the current thesis proposes that MA should be understood as a geopolitical phenomenon. Understanding MA from a geopolitical perspective helps in understanding people's identities and why they do what they do. Instead of imposing theoretical concepts to understand this, geopolitics brings actual political games to the place and shows how these affect communities' understanding and action.

The next chapter will deal with methodological issues in both data collection and analysis. It clarifies the data collection method, research paradigm, case study choice, how the study was performed, considerations during data collection, and methodological limitations.

Chapter 4 Methodology and Research Methods

4.1 Introduction

The previous chapter explained this work's theoretical framework; this chapter explains the philosophical rationale behind its research methods. Methodological strategy concerns the way researchers intend to answer research questions (Mason, 2002: 30) while research path concerns whether the research uses qualitative or quantitative approaches (Bryman, 2012). The research path depends on the researcher's ontological and epistemological stance and the theory mobilized (Mason, 2002; Ritchie and Lewis, 2003; Bryman, 2012), and theory mobilization is about following inductive, deductive (Bryman, 2012), or abductive approaches (Wickramasinghe, 2011). Finally, the strategy and its components will affect the design and method(s) used throughout all research stages to solve the 'intellectual puzzle' (Mason, 2002: 13).

Identifying the appropriate methodological strategy is not a straightforward process, as researchers must always deal with field contingencies through taking decisions (Alawattage and Wickramasinghe, 2008). These decisions may vary based on the contingencies arising and may change the theoretical framework and data collection methods, or they may even alter the initial methodological strategy. As this chapter clarifies, field contingencies changed both my theoretical framework and data depth and breadth.

This chapter is divided into six main sections. Section 4.2 discusses this work's philosophical stance and the current study as a critical accounting study. Section 4.3 introduces issues regarding the case study method and defends choices regarding space, time, and number of visits. Section 4.4 provides a description of the steps carried out in line with the case study. Section 4.5 discusses the main data collection techniques in terms of methods deployed – namely interviews, observations, and documentary research. Section 4.6 explains the data analysis process and its validity. Section 4.7 summarizes and concludes the chapter.

4.2 Research Philosophy and Choice of Paradigm

Stating a knowledge claim means the researcher started with certain assumptions about what will be studied and how as 'there is no such thing as a totally objective or value free investigation' (Hopper and Powell, 1985: 429). Previous assumptions and beliefs about the social world affect the research's direction (Hoque and Hopper, 1994; Hopper et al., 1995), questions, and approach. The last two likely derive from the researcher's ontological and epistemological assumptions (Alawattage, 2013; Hopper, 2014; Burns, 2015). To clarify these, the former represent beliefs about the nature of human beings and the social world they inhabit while the latter represent beliefs about the nature of knowledge and acquiring it (Burrell and Morgan, 1979; Hopper and Powell, 1985).

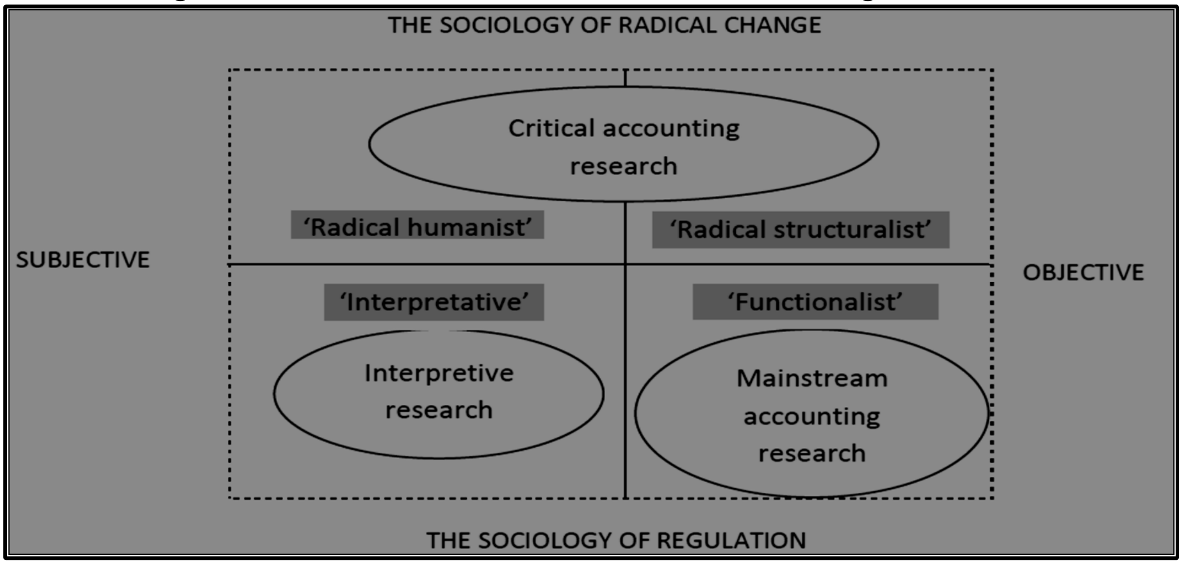
Accounting literature has various classification schemas for categorizing philosophical assumptions. Of these, the schemas developed by Burrell and Morgan (1979), Hopper and Powell (1985), Chua (1986), and Ryan et al. (2002) are similar as all were built on early writings of Burrell and Morgan (1979). For example, Chua (1986) and Ryan et al. (2002) incorporated both radical humanist and structuralist paradigms from Burrell and Morgan (1979) to obtain critical accounting research. This integration was initiated by Hopper and Powell (1985) and over the years the category termed radical theories has come to be labelled critical accounting research (Ryan et al., 2002).

Figure 4.1 below summarizes these categories. The figure's central idea is that all theories are established based on the philosophy of science and theory of science. In simple terms the classification is based on two dimensions – the nature of social science and the nature of society (Burrell and Morgan, 1979; Hopper and Powell, 1985). The social science dimension consists of four components: assumptions about ontology, epistemology, human nature, and methodology. The other classifies two dissimilar approaches to the nature of society:

> [O]ne is concerned with regulation, order and stability and sets out to explain why society tends to hold together, the other focuses on the fundamental divisions of interest, conflicts and unequal distributions of power that provide the potential for radical change.
>
> (Hopper and Powell, 1985: 432).

The horizontal axis represents substitute views about the nature of social science – from intense subjectivism to intense objectivism. The subjectivist position affirms that social science is nominalist, anti-positivist, voluntarist, and ideographic. Contrastingly, the objectivist position assumes social science to be realist, positivist, determinist, and nomothetic (Burrell and Morgan, 1979; Hopper and Powell, 1985). The vertical axis illustrates assumptions about the nature of society – from regulation to radical change. These dimensions are combined to shape four different research paradigms: functionalist, interpretive, radical humanist, and radical structuralist (Burrell and Morgan, 1979; Hopper and Powell, 1985). Chua (1986) and Ryan et al. (2002) claimed there are three paradigms: mainstream accounting research, interpretive research, and critical accounting research.

Figure 4.1 Classification Schema for Accounting Research



(Source: Ryan et al., 2002: 40)

Consequently, as the three paradigms have different assumptions and views about society and social science, they have different implications for accounting research. Table 4.1 below summarizes these assumptions with three general categories: beliefs about knowledge, beliefs about physical things, and the relationship between theory and practice.

The current study needs approaches that facilitate the focus on MAC practices in LDCs and how these are shaped by cultural and political factors, because, as section 3.5 highlighted (theoretical model), imposing and transplanting a Western blueprint (ERM) involves socio-political interactions. These are rooted in everyday practices but to fully understand MAC practices the researcher must question and examine social, economic, and political contexts but also recognize the role of power and conflict in shaping and reshaping the practices that appear before us (Hopper et al., 1986; Hopper et al., 1987; Cooper and Hopper, 2006). Consequently, the current study is positioned at the intersection of the objective/subjective, the radical change/regulations continua of Burrell and Morgan (1979), the radical theories category of Hopper and Powell (1985), and the critical perspective outlined by both Chua (1986) and Ryan et al. (2002).

Defining critical accounting is crucial though doing this in general terms is very difficult and problematic as the literature proposes many definitions and classifications (e.g. Laughlin, 1999; Jones and Dugdale, 2001; Neu et al., 2001; Broadbent, 2002; Cooper and Hopper, 2006). My study follows Cooper and Hopper's (2006) proposition about the four contributions to our knowledge critical MA studies added to our understanding about MAC:

Table 4.1 Assumptions about Accounting Research Paradigms

	Mainstream accounting research	Interpretive accounting research	Critical accounting research
Knowledge	Theory and practice are independent of each other and quantitative methods of data collection are favoured as based for generalisation.	Theory is used to provide explanations of human intentions. Its adequacy is assessed via logical consistency, subjective interpretation and agreement with the actors.	Criteria for judging theories are always temporal and context-bound. Social objects can be understood only through a study of their history and change within the totality of relations.
Physical and social reality	Empirical reality is objective and external to subject and researcher. Human actors are essentially passive objects, who rationally pursue their assumed goals. Society and organisations are basically stable and dysfunctional behaviour can be managed through the design of control systems.	Reality is socially created and objectified through human intentions. Human action is intentional and has meaning grounded in the social and historical context. Social order is assumed and conflict mediated through shared meanings.	Empirical reality is characterised by objectivity but is transformed and reproduced through subjective interpretation. Human intention and rationality are accepted but have to be analysed critically, because human potential is alienated through false consciousness and ideology. Fundamental conflict is endemic in society, because of injustice.
Relationship between accounting theory and practice	Accounting is concerned with means, not ends, it is value neutral and existing institutional structures are taken for granted.	Accounting theory seeks to explain action and to understand how social order is produced and reproduced.	Theory has critical imperative, in particular, the identification and removal of domination and ideological practices.

(Adapted from: Chua 1986, 605-615)

> First, the idea of changing regimes identifies the chameleon-like ability of accounting to reflect (and sustain) regimes of power over time...Second, the stress on the macro emphasizes that accounting is not an inevitable outcome of market forces or technological change but is implicated in, and reflects political, social and economic struggles...Third, MA is associated with struggles for control rooted in organizational processes and their socio-economic context: the macro and micro are reciprocally related. Fourth…Issues of individual agency, subjectivity and identity bearing on conflict and consent in life are integral to any critical analysis.
>
> (Cooper and Hopper 2006: 209).

Following this proposition, the current research proposes that social reality consists of real relations that are interacting within macro/micro social, political, and economic struggles. Such struggles (re)produced by human agents are apt to transformations through both the subjective interpretations of these human agents and the actions driven by these interpretations. Having said this, human beings are reflexive agents and their subjectivity is an important part of understanding how their identity and reflexivity react to macro pressures. These reactions may lead to resistance and/or compromise, as later chapters explain.

Consequently, this work deploys qualitative research in a single case study. This choice enables rich in-depth information about socio-political struggles in everyday practices through this case's ERM transplantation. Using a case study is also in line with several assertions previous research made about the suitability of case studies for critical accounting research (e.g. Alawattage, 2013; Chua, 1986; Cooper and Hopper, 2006; Hopper, 2014; Hopper and Hoque, 2006; Hopper and Powell, 1985; Hoque and Hopper, 1994). Finally, as this follows critical abductive research, the researcher is considered a bridge between the case site and the research's iteration process between theory and data. The researcher has their reflexive agency while they are working. In turn, the idea that researchers are fully independent of the social realities they investigate is rejected in favour of acknowledging both the inevitable interaction between the two and the reflexivity researchers exercise when interpreting findings (Wickramasinghe, 2011; Burns, 2015; Hopper, 2014).

4.3 Issues Related to the Case Study Method

The choice of qualitative research based on a single case study was made at the beginning of my research journey in January 2013. It came from the need for deep information about everyday life, which is what qualitative case studies are about, as Mason (2002: 1) clarified:

> Through qualitative research we can explore a wide array of dimensions of the social world, including the texture and weave of everyday life, the understandings, experiences and imaginings of our research participants, the ways that social processes, institutions, discourses or relationships work, and the significance of the meanings that they generate. We can do all of this qualitatively by using methodologies that celebrate richness, depth, nuance, context, multi-dimensionality and complexity rather than being embarrassed or inconvenienced by them.

4.3.1 In Defence of the Case Study

A case study uses multiple sources of evidence to investigate a phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. It is usually useful when 'how' and/or 'why' questions are being posed (Stake, 1995; Yin, 2009), when the researcher has little control over the empirical reality under investigation, and when trying to make sense of the phenomenon in its socio-political context (Scapens, 1990). For me, case studies also represent a detailed and intensive analysis of a location such as community and/or organization and how such contexts have their own political games, understanding, and beliefs that affect their sense making and practices. The analysis chapters examine and explain certain specific conditions and contextual factors regarding transplanting RBMC and how this leads to the instantiation of a geopolitical shield to defend monologic MC. In short, the case study concentrates on the complex nature and conditions surrounding certain phenomena (Stake, 1995). These are social, political, and economic in nature, and they caused the community studied here to create its geopolitical shield as a proper response to Western blueprint imposing and transplanting its technology there.

A qualitative case study is now a well-known research design and the time to defend it has gone (Ahrens et al., 2008; Cooper, 2008; Parker, 2012), though a corpus of work still discusses issues like generalization, replication, validity, and reflexivity in qualitative research (e.g. Scapens, 1990; Ryan et al., 2002; Yin, 2009; Lukka and Modell, 2010; Bryman, 2012; Parker, 2012). These are described as limitations but may give wrong perceptions regarding conducting qualitative case studies simply because they are not universally accepted. In response, Parker (2012: 59) noted:

> [I]n terms of reflexivity and rigour, the response…is that the qualitative researcher inhabits a different domain, embracing and becoming involved in the world of the researched (rather than seeking to be removed and independent), and seeking to produce credible accounts and interpretations (rather than assuring replicability through notions of validity and reliability). The qualitative research mission and agenda is different, in that its focus and outcomes privilege critique, theory development, uniqueness and context. While not rejecting notions of replicability where they can be delivered, our greater concern is with identifying and unpacking the unique and the different. On these grounds we embrace what the quantitative tradition avoids, and explain and evaluate our research in different terms.

In line with Parker's proposition that qualitative research is different from quantitative functional research, some qualitative case study scholars tend to ignore what positive researchers call case study limitations (e.g. Stake, 1995; Hancock and Algozzine, 2006; Dul and Hak, 2008). These scholars just concentrate on case study design and implementation, and what can be counted as good cases and how to engage with participants and data. The reason behind this ignorance is that they see that each research design has its limitation. If qualitative studies have problems with the above issues, quantitative studies have other problems. Yes, the latter are generalizable statistically, but they lose real-life experience and detailed information about how and why the practices are done as they appear.

Consequently, what positivist researchers call case limitations represent 'prejudice against case study' (Yin, 2009) so please allow me to reply to these critiques individually. First, regarding generalization and replication critiques these case studies allegedly do not allow these. While I believe that such critiques are rooted in positivist ontological and epistemological stances and can be considered only in case-based research within this paradigm, asking qualitative case studies to make generalizations and replications reveals a misconception about reasons for doing qualitative studies. Case studies' main purpose is not to make practical replications and generalizations. Qualitative case studies support theoretical propositions about the context studied, which may be extended or mobilized in other contexts. This theoretical generalization is what the qualitative case studies provide through single or multiple cases (Yin, 2009; Bryman, 2012; Parker, 2012).

Secondly, the validity critique is the most important not just because it relates to positivism but because some qualitative studies very much focus on this issue, or the crisis of validity (Lukka and Modell, 2010; Wickramasinghe, 2011). Validity construction in qualitative research has different approaches. Yin (2009) proposed that validity construction comes from multiple sources of evidence in data collection, or what Hopper and Hoque (2006) called methodological triangulation, and establishing chains of evidence that stand as valid. For analyzing data, internal validity remains crucial and arrives through pattern matching, explanation building, and time series analysis. Finally, reliability comes through using case study protocol and producing data bases while collecting data.

Lukka and Modell (2010) offered further strategies for enhancing the validity of interpretive MA research, using abductive research and making combinations between emic/etic. This mix between inductive/deductive and emic/etic resolves the validity crisis

(Wickramasinghe, 2011). The current research follows this stance (see section 4.5). As researchers should take 'opportunistic' approaches in the field, analysis and validation, hence fieldwork, is permeated by conflict between what is theoretically desirable and what is practically possible. Alawattage (2013) and Hopper (2014) call fieldwork the 'art of the possible' and suggest maximizing opportunities offered in real-life circumstances. This is largely the stance the present research takes.

Finally, regarding researcher reflexivity and independence, it is difficult for the researcher to detach from the case studied. As stated at the outset, I do not consider myself, as a researcher, to be independent, objective, and/or an unbiased observer of the empirical reality investigated. Instead, I consider myself an integral part of the data collection, analysis, and interpretation process. The reason for taking this position, because following case study protocols and the analysis coding and reflecting on a theory procedures will not produce fully independent and unbiased analysis.

4.3.2 Decisions Regarding Space and Time

This section briefly describes decisions on space, time, number of visits, data collection plan, and variations. It concentrates only on issues relevant to this chapter's methodological discussion (Chapter 6 gives more details on the studied organization). The choice of XYZ insurance company was made very early on (March 2013); a key factor was that ERM implementation is not well developed in Egypt's financial sector. Egyptian banks and insurance companies must implement Basel II and Solvency II, especially after the 2008/9 global financial crisis, to maintain their internationally recognized legitimate institution ratings.

Given the research focus of RBMC, choosing an insurance company rather than a bank was made for three main reasons. First, insurance companies are well developed in using risk technologies as it is their main tool for assessing hazards, premiums, and reserving. So, my main concern at that time was what sort of change ERM could make in the pre-existing MCS. Secondly, to analyze the conflict or co-operation between the ERM team, underwriters, and reinsurance technicians as old and new risk experts inside the company. Thirdly, to study how deep ERM practices are in company operations in terms of how ERM changed the reserving, underwriting, and premium calculations.

By April 2013, company access was gained through personal and family relations with the company's Vice Chairman and CFO. After this, I started finalizing ethical approval to start collecting data. In mid-April I contacted the Vice Chairman and CFO, and they connected me to the CRO through Skype. After having informal Skype conversations, I received the company charts, budgets, and books by email. From these initial talks and documents, initial decisions regarding the case study's design were made.

First, regarding space the initial plan was to concentrate on the main office's transactions that ERM affected and not selling units (the company's 30 regional branches). The pilot study was conducted accordingly, but when I realized that ERM changes reaches every aspect of company operations I changed the unit of analysis and space studied to contain two regional branches and thus also understand how micro level operational selling units are affected by and react to these changes.

Secondly, the time chosen was random. The business is an ongoing process and the past no doubt affects the present, so it was difficult to define a starting and ending time. Initially, I decided on two visits: one during the pilot study's two weeks in July 2013; the other during the main study between August and November 2014 as my sponsor (the Egyptian government) does not allow more than two visits to the field as a funding condition. Then, if necessary, I could have further Skype contact with the interviewees.

My initial thought – which subsequently happened in the field – was to choose key events in company processes such as changes in MCS, management staff, rating institutions, laws and regulations, and revolutions to see if and if so how these affected operations. This strategy allowed bridge-building between the past and present to give context specificity and to make myself part of company happenings. Although I was not in the company during ERM initiation, through interviews, informal conversations, and documentation I gained useful insights into processes. In addition, through observation I witnessed the company's present situation.

4.4 Description of Research Steps

This section clarifies the research steps taken throughout this study, particularly its data collection processes as it clarifies changes in the theoretical lens due to the nature of the data being collected. Hence, the study follows the abductive approach and combines etic/emic movements. Connections between data collection and theory informed analysis came by taking field notes while interviewing or observing then subsequently summarizing ideas and themes that emerged each day. All these early reflections were returned to while changing the theoretical lens.

4.4.1 Early Reflections on the Context: Pilot Study

The pilot study was done in July 2013 (two weeks) after around 8 hours of Skype conversations with the company CRO, CFO, and Vice Chairman. My main assertion was the role of new RM technologies – namely ERM as a governing tool in changing pre-existing MCS. Next came one general weeklong observation and four interviews without predefined questions. This unstructured approach allowed familiarization with the context, identification of possible interviewees, amending and narrowing of focuses, broad MCS understanding, and receptiveness to any new interesting issues.

From the pilot study, I understood more about certain company operations, MCS, and risk issues. First, top management was prioritizing Solvency II implementation in their strategic plan to retrieve the rating with Standard and Poor's and/or A.M.Best. This required many structural and procedural company changes such as in reserving methods, premium calculations, underwriting procedures, IT system, and budgeting calculations and follow ups.

Secondly, the MCS is not concentrated in one or two departments as the company has several controls under different managers. These managers have very high interdependency levels in their work. For example, the budgeting team prepares the budget and follows up budget targets but insurance experts prepare budget benchmarks. Insurance experts include the reinsurance team, underwriters, and actuarial experts. Each plays a part in budget target setting: underwriters set selling prices (premiums), the reinsurance team reinsures premiums and claims expectations, and the actuarial experts are responsible for expecting claims, reserving, and investment targets.

Thirdly, the ERM team's inclusion in the company changed traditional budgets to risk based flexible budgets and they follow up movements in targets with tools like KPIs, which have four colours. Red for high or critical risks that need immediate intervention. Orange for medium not accepted risks that need intervention immediately after critical ones. Yellow for medium, which do not need intervention (for now). Finally, green for low risks. Identifying the risk level relates to the company appetite in every aspect of risk.

Fourthly, the ERM team can access all company files and departments, and their decisions are soundly followed because they have the full support of top management. Including the ERM team required many structural changes in responsibilities of some existing department like the increased role of the internal audit department and establishing new departments like the claims review department.

From early reflections on the case site, I started identifying targets for the main interviews and was satisfied that the main office's transactions would be sufficient. The plan to grasp the totality of omnipresent MCS involved including main office insurance producers (Sales team), internal auditors, ERM members, accountants in the finance and investment department, the budgeting team, the reinsurance team, and some underwriters. As controls were everywhere and there was no management accounting department or cost accounting at all, and the MAC I knew academically is distributed throughout departments, I needed to trace it to find my way in the case.

After the pilot study journey I started thinking about how and why the shift to RBMC changed everything. From rereading old literature on risk and new emerging articles in the field like the special issue in *Management Accounting Research Journal* of July 2013 about Risk, RM, and MAC, I started formulating my ideas around Foucauldian power/knowledge. This initial idea then developed into governmentality. Building on this, the research's main questions, finalized in January 2014, were directed towards this theoretical lens and my main assertion was how risk technology produces controllable controllers. As the ERM team represents experts who are using risk technologies power and their knowledge to govern the company, while they are themselves governed by the same technology.

4.4.2 The Main Study and Abandoning Foucault

Before travelling to the main study, interview schedules and themes were prepared based on theory and pilot study data. These included 19 scheduled interviews with various groups, which increased through unscheduled interviews and extensions in the study's scope. The main data collection period was from 8 August to 12 November 2014. I spent 12 weeks in the company for interviewing, observing, and collecting documents. Within this period, the company Vice Chairman allowed me to attend audit committee, governance committee, and risk committee meetings to observe and take notes (no recording as these meetings discuss very sensitive information about the company's controls and risk procedures).

In these 12 weeks I visited the company daily and my working days were from 8:30 a.m. to 5 p.m., including tea and lunch breaks. The CFO kindly offered me a small meeting room with an office though it was rarely used as most time was spent moving around the company, observing, making informal conversations, and collecting documents. Even the interviews mostly took place in the interview office. Actually, this room was used only twice for interviewing and for writing up notes, leaving my laptop or collected documents until the end of the day.

The Internal Auditing general manager – a certified trainer in the Egyptian Academy of Insurance – invited me to attend four weeks workshop training for insurers on ERM and Solvency II, organized by the Egyptian Financial Supervisory Authority [EFSA] and Insurance Federation of Egypt [IFE]. This offered opportunities to understand more about ERM in the Egyptian insurance market and how most Egyptian insurance practitioners perceive and implement this Western blueprint. It was organized for weekends so no data collection time was missed by attending this workshop. It also gave me more time with some company employees outside the formal company environment and hence allowed many informal conversations.

The first two and a half weeks of data collection confirmed my early assertions. Hence, everything was going as planned and most interviewees talked about the power of the ERM team, how they have full support from top management, and what sort of change they made in their department. All these were supported by observing the ERM team work over the first two weeks. In line with this were patterns and notions from the governmentality framework rationale. The first problem was that most regional branch managers and employees were not replying on time to the ERM team's emails (average delay time of around one week). This did not initially seem a big issue for me, as the regional branch managers and employees have workloads in branches so this was not a research priority. Moreover, branches were initially outside my study scope.

Everything changed when I started observing and interviewing the underwriters. Their work is totally independent from the ERM team, they try to downplay what the ERM team is doing, and some of them violate direct orders from the ERM team in selling prices, and reserving and accuse them as being nescience about insurance risks. At that time, I realized that my theoretical lens of Foucauldian governmentality should be rethought as it is about controlling people's lives but omits resistance to and/or conflict over the technology of governing.

Before making this difficult, unexpected choice, I asked the ERM team about what I observed in the underwriting team and why they do so. They said they are in charge and underwriters must follow them. Underwriters may have their reasons for deviating, such as being more connected to the market, and they are not disrupting the total flow of ERM operations. This response did not explain what I observed so I decided to make things before others through changing observation plans and interview sequence. For example, I was supposed to have the reserving and investment departments' control parts in the seventh week, but because of their direct connection to the insurance experts I made them in the fourth week to stand on to what extend there is a resistance to the ERM. I hoped I would not find such resistance in reserving and investment departments.

Unfortunately, I found that all the insurance experts were experiencing problems with ERM changes and new controlling procedures. Although some places like reserving fully complied, they do not like these changes and they included political and economic factors for why ERM is not currently suitable for the company. Furthermore, what confirmed that my theoretical lens must be changed was the audit committee's meeting at the end of week four. Regional branches' directors complained about the excessive requirements the ERM team was requesting from regional branch GMs. Also, if the team insists on changes in prices, commissions, and policy coverage, the company must downsize budget targets as their regional branch managers will not meet them with these new regulations.

This new variable along with old unexpected conditions changed not only my theory but also my unit of analysis as I needed to dig deeper to see how micro operational levels (i.e. regional branches) were perceiving and reacting to ERM transplantation. I contacted the CFO and the Vice Chairman, requesting permission to visit one or two regional branches. The CFO called a regional branch's GM and asked if he could meet me, and this manager was coming to the main office at the end of the fifth week with his vice to discuss a branch issue with the company's CEO. When I met them I arranged to visit their branch to observe it for one week and another branch for another week.

My main concern at that time was not the theoretical lens or how data could be theorized but the number of interviews and getting deeper information about why company sections were against ERM. In this sense, it was no longer an ordinary case study as it needed extending (Burawoy, 1998) as an appropriate methodological reaction to field contingencies. This involved identifying what was happening from micro to macro aspects to acknowledge total relations throughout departments and regional branches. It was also extended historically to account for different transformation stages of the case before and after ERM transplantation. It was further extended regarding space as I included observations and interviews at two regional branches' micro levels to clarify connections between the Micro, Meso, and Macro. Finally, it was extended regarding time for data collection as further Skype interviews were needed to validate subsequent theory building. These additional Skype interviews took place between February and May 2015.

Supporting this decision, Wickramasinghe (2015) notes that an extended case helps one understand contemporary phenomena like RBMC that are not supported by a strong theoretical base in their natural setting. Hence, it allows bottom-up analysis as it offers researchers space to be reflexive while collecting, connecting, and reflecting on empirical and theoretical implications. Extending also enabled me to build on micro and meso level data to understand reactions behind the state of resistance as it 'extract[s] the general from the unique, to move from the "micro" to the "macro", to connect the present to the past in anticipation of the future, all by building on pre-existing theory' (Burawoy, 2009: 21). Finally, the situation in the field and abandoning initial theory midway through left extension almost as a last resort to re-build a new theory later.

To summarize, field contingencies and unexpected resistance to ERM meant a change in theory, data depth, and data breadth. The following two sections cover the systematic combinations used in data collection and analysis processes regarding the development of a geopolitics of institutional logics.

4.5 Data Collection Methods

Owing to this work's critical position and the extension decision, my methodology requires two main categories of empirical data to connect the micro to the macro and reflect on the social, political, and economic conditions that produced geopolitical protectionism. The first category is data that reveals changes at the wider political-economic level and at the field Macro level. The second data set reveals changes in micro (regional branches) and meso (Main office) organizational structures and practices. Being unable to interview Egyptian governmental officials from the Ministry of Investment or Egyptian Financial

Supervisory Authority (EFSA) officials means my macro data came from secondary published materials (e.g. reports, periodical magazines, local newspapers, journal articles, and websites). Meso and micro data came from actors in the studied organization (e.g. risk officers, insurance experts, internal auditors, and accountants).

The field involved a data triangulation strategy to grasp the complexity of the newly imposed RBMC procedures and how they cascade to XYZ's grassroots operations. Hence, using multiple methods is important for in-depth understanding, provides stronger substantiation of constructs, and allows valid and reliable conclusions (Bryman, 2012; Hopper and Hoque, 2006). As Table 4.2 below summarizes, it took 14 weeks over 2013 and 2014 to understand this new system and how people react to it. Data collection and validation were done in four phases: first, 8 hours of telephone and Skype conversations followed the initial two week pilot study; the third phase was 12 weeks from August 2014 to November 2014 as the main study; finally, the fourth phase involved 13 hours of telephone and Skype calls in February, April, and May 2015, which confirmed the previously gathered data and the new theoretical framework's (the geopolitics of institutional logics) suitability.

4.5.1 Interviews

Interviewing has various classifications. Bryman (2012) identified three forms: structured, semi-structured, and unstructured. Some scholars combined semi-structured and unstructured and called them qualitative interviews (Mason, 2002), or in-depth interviews (Ritchie and Lewis, 2003). Such scholars are not convinced totally unstructured interviews exist, as the researcher should have a plan, purpose, and predefined questions – written or otherwise (Mason, 2002). The matter therefore concerns the extent of structuring, which depends on the study's research questions and purpose (Mason, 2002; Ritchie and Lewis, 2003; Neuman, 2007).

Largely structured interviewing usually involves closed questions to captures precise data and subsequently explain behaviour within pre-established categories, which is why most quantitative studies use them – and to confirm or extend the questioner's work (Neuman, 2007; Bryman, 2012). In contrast, in-depth and/or qualitative interviewing understands complex behaviour without imposing a priori categorization that may limit the field of inquiry. Regarding this research's philosophical stance, in-depth interviewing is crucial for understanding the social factors embedded in the micro-politics of XYZ. It is also so when the researcher's ontological position renders people's knowledge, views, experience, or interactions meaningful by investigating these, and when knowledge is understood as contextual and situational matter that needs in-depth understanding of the complex context and interactions (Mason, 2002).

Table 4.2 Summary of the empirical study

Phase	Time	No. of interviews	Other data sources
Pilot study	2 week in July 2013 Approximately, 5.5 hours of face to face interviews	4	Company annual book, laws and regulations that organize its work, some local newspapers.
	Approximately 8 hours of telephone and skype conversations in April, May 2013	3	
Main study	12 weeks in August, September, October, November, 2014 Approximately 33 hours of face to face interviews	31	Observation to the ERM and control operations done on a daily basis, in the main office and two regional branches, attended Audit committee meeting, Risk committee meeting, and governance committee meeting
	Approximately 13 hours of telephone and skype conversations in February, April, May 2015	8	Memos, booklets, risk maps, Issued policies, Budgets, letters and emails to and from the governmental authorities and the western reinsurers (related to ERM), and financial statements. Four weeks workshop training for insurers on ERM and solvency II, organized by the EFSA and Egyptian insurance federation [EIF]

This work had 46 interviews (35 face to face; 11 by Skype and telephone), which vary in structure according to the purpose and time. For instance, the 7 pilot study interviews were conducted with 4 main interviewees – the company's Vice Chairman, CEO, CRO, and CFO. Owing to the nature of the pilot study and the undetermined theoretical framework these interviews were mostly unstructured. They were more like open conversations to understand XYZ's operations, MCS, and ERM inclusion steps and changes after implementation.

In the main study and during my daily visits to the main office in Cairo and two regional branches (Assiut and AL-Mansoura), 31 formal interviews were conducted with different participants from various departments. I interviewed 8 accountants, 2 regional branch managers, 4 insurance producers, 3 underwriters, 2 claims review technicians, 4 ERM team members, 3 reinsurance officers, and 5 internal auditors. Their practical experiences ranged from 3 to 35 years. The nature of the main study and changes that happened made my interviews more concentrated day by day. Finally, in validating the data and theory another 8 interviews were conducted with the CFO, CRO, 2 internal auditors, 2 risk officers, a reinsurance officer, and an underwriter. These validation interviews were much more structured and centred on specific points to validate or clarify.

Preparing for and actually conducting the validation interviews was not easy. They required extreme cautiousness and avoidance of leading questions (e.g. 'Do you agree with this interpretation'? or 'How do you see this interpretation?') because these may influence answers (Stake, 1995; Mason, 2002; Yin, 2009). Two examples of my questioning clarify what I did in these interviews. One relates to procedural changes and the other to validating theory and producing 'we and them' worlds.

In an interview with an internal auditor he said the ERM team is 'changing and interfering in everything', so in validating I asked if he could 'give me some examples about their interferences'. The other example relates to validating my thoughts about the mobilized theory. An underwriter said 'we will not do something that harms our sales' while criticizing the new ERM underwriting procedures and price settings. In my validation I noted that 'you said to me previously, that your main goal is sales volume and this is why you have a problem with the ERM team. could you explain in detail more about this issue'. When he was explaining what he do not like about ERM procedures I said 'sorry to disrupt, but how does this differ from your old procedures?'

Interviews were recorded whenever possible and all these were transcribed. They ranged from 30 minutes to three hours depending on work circumstances, the time available with each interviewee, and subject. Most interviews, however, lasted about one hour. Most interviewees agreed to the recording, but some preferred non-recorded interviews. In some cases I switched off the recorder during interviews because of some interviewees' hesitation when mentioning sensitive topics (e.g. when commenting on attitudes and behaviours of their hierarchical superiors).

During some interviews, topics outside my scope emerged. I tried to be flexible in allowing these but also attempted to relate these back to the core issues. Similarly, the regional branches' delay and poor relationship with the ERM team was raised in two informal conversations on the fourth week of my main visit. In the fifth week this became the main topic which, as previously mentioned, led to a change of my theory.

During my visits I had the tape recorder, tablet and a notebook with me at all times. After each interview I wrote some initial impressions and the actual interviews were later transcribed. My main concern in the field was not interviews per se but about how much documentary evidence I could obtain to support interviewees' stories. Consequently, when an interviewee mentioned a specific meeting in which some relevant event had taken place, I immediately asked for a copy of memos and/or notes of the meeting.

Finally, interviewees had the freedom to speak in either Arabic or English. However, Arabic is the first language of all respondents and all interviews were in Arabic. All interviews were first transcribed in Arabic then translated. Problems in achieving accurate translations are well known and were shared by this researcher. Many original subtleties of meaning in one language are lost in translation so I kept Arabic transcripts alongside the English ones while devising my themes.

4.5.2 Observation

Observations can take two forms: planned (formal) observations done in interviewing or attending meetings and unplanned (informal) observations where researchers observe issues or practices while moving between departments and during breaks (Saunders et al., 2007). This work sought to record observations immediately but this sometimes happened at the day's end or during breaks for convenience purposes. For example, instead of writing while having a coffee or tea with a GM, I recorded observations afterwards. Finally, observations may be participant or non-participant. The latter was intended because spending much time at the case site for the former was not feasible.

Formal observations were conducted daily during interviews and/or meetings, and/or on specified times with department GMs when reflecting on the controls. Employees gave consent to observe their work at any time. I observed three meetings: an audit committee meeting (end of week four), a governance meeting (week five), and a risk committee meeting (week two). I also had 9 formal observations of the following: the ERM team department (two weeks), underwriting department (two days), reinsurance department (one week), Assiut regional branch (one week), AL-Mansoura regional branch (one week), internal audit department (one week), budgeting department (two weeks), claim review department (two days), insurance producers' department (four days).

Informal observations occurred throughout my time in the company but especially during lunch and coffee breaks. Any time spent inside involved data collection, including such observations, as I had permission to move freely and even access the on-site library and other information sites. These cumulative instances of informal observations contributed greatly to knowledge about the company and to understanding what was happening.

Finally, validity and reliability of observations is also important as participants may behave differently in any observer's presence as the latter may be observing the former's work (Ritchie and Lewis, 2003; Saunders et al., 2007; Yin, 2009). Observations thus have to be evaluated with due care, because participants may act positively or even hide problems in their MCS. A means of obviating such issues was being present every day and developing trust and social relations with everyone whereby my presence seemed natural. Being with them during breaks, lunch time, and prayers, and talking with them about non-company issues helped create a good rapport and facilitated talk about company issues.

4.5.3 Documentation

Many qualitative researchers see documents as meaningful and appropriate research components. Of the many different types, some exist independently of research such as insurance policies, bank statements, accounts and balance sheets, company reports, and manuals. Others can be generated for or through the research process such as charts, tables, and lists (Mason, 2002). An issue Yin (2009) raises regarding documents is that before any attempt to analyze them researchers must situate the collected documents within the context in which they were produced, because all documents are written for specific purposes and audiences.

Documents provided rich information for this work and an additional means of understanding numerous organizational processes, notably regarding ERM and control systems. Diverse documentation was used including memos, booklets, risk maps, issued policies, budgets, letters to governmental authorities and Western reinsurers (related to ERM), company certificates (ISO and rating with Standard & Poor's), and financial statements, and even local newspapers. The researcher approached the collected documents with a critical questioning, especially for those provided by the EFSA, reinsurers, and rating institutions, and with care for sensitive internal documentation.

4.6 Data Analysis and Research Validity

This section discusses how analyzing data and the iteration between data and theories led to my geopolitics of institutional logics. It also notes how validity was a key concern and how the analysis became a valid storyline. Data collection and data analysis processes were intertwined as a reciprocal action to build themes. Although patterns and theoretical concepts should be gradually developed while data is collected and was initially done, the initial theory was abandoned midway so the focus was put on the richness of the data collected.

While collecting data I was mostly thinking about which theory (e.g. Neo-institutional Sociology, Institutional Logics, Actor Network Theory, Bourdieu's symbolic forms and symbolic power or Dillard model) may fit what I observed and heard. Initially this was difficult as issues surfaced between key agents (e.g. the ERM team and risk experts) and their qualities (e.g. managers' power and underwriters' professional identities), representing capitals in a field or simply clashes between experts. Furthermore, the company's micro level resisted protecting routines, which may fit Neo-institutionalism and/or radical theories that concentrate on human agency and resisting Macro structures. Patterns from many theories flashed before me, but having no clear theory presented a difficult puzzle, amplified with data patterns not yet connecting. With this, I wrote whatever I felt in my notebook for subsequent reflection after the extensive data analysis to decide what best suits the data.

Later, I tried to be more systematic and follow guidance from some qualitative research books like Saunders et al. (2007). So, I tried to make flow of my activities (e.g. data reduction, data display, conclusion drawing and verification). The data reduction process started early on and continued throughout the project. It involved selecting, focusing, simplifying, abstracting, and transforming the data in the field notes and interview transcripts. After transcribing the interviews or after each visit to the field for other purposes, interview transcripts or field notes were studied carefully. My own reflections and field notes were then combined on the Arabic transcript and a summary sheet summarized issues deemed useful in the script.

The coding process followed. Initial codes were broad categories developed from research questions and data from several interviews. While searching for patterns and similarities, I was sensitive to inconsistencies such as divergent views offered by different groups. Data was organized and displayed in charts, graphs, and metrics to aid further analyses. Data coding and categorizing was conducted manually, albeit using Microsoft Word and Excel. Qualitative analysis software packages such as NVivo were not used. This decision was first because all interviews are in Arabic and all needed translating to make use of NVivo. Also, I tried to avoid programs and their limitations, as Scapens (2004: 270) advises:

> I have not found any of them helpful for my research. But I understand that others do find them very helpful. They seem most appropriate when similar questions and issues are covered in number of different interviews—for example, when structured interviews are used. But in my case research I normally use unstructured interviews and work with the word-processed transcripts.

For the translation into English the available analysis programmes were considered but these risked losing meanings and subtleties from the interviewees. The translations were thus done manually with help from professional translators in the UK and Egypt to retain accurate wordings and meanings.

Regarding the theory-building process, continual iterations between field observations notes, main codes identified from the data, and several theoretical frameworks occurred. This was not my choice. As noted earlier the analysis process started without any specific predetermined theory; rather, the empirically-based patterns and themes that emerged from the fieldwork were compared with various theoretical possibilities and initial theories were revised, reformulated, discarded, and supplemented accordingly.

Choosing institutional logics to meet geopolitics as my main theoretical framework was neither easy nor immediate. It took six months to clarify the theoretical model after various stages. First, I thought about how to make a different Foucauldian study by concentrating on Foucault’s last lectures where he showed concerns with people’s subjectivity and how ethical-based identities can fight rule-based regulations. I started the iteration process with this in mind but found no adequate match with my codes. Secondly, I made the data speak to tell a story without theory; after seeing the full storyline, I analyzed what theory suitably matched the story. Thirdly, the story initially concerned how management was divided over ERM implementation. Following Major and Hopper's (2005) theory about how this can produce resistance I dug deeper. Unlike Major and Hopper (2005) I found no labour process theory as a proper frame, because I found clues about why these two blocs (ERM team and Insurance experts) are fighting. It was because of geopolitical socio-political reasons, as geopolitics gave a new meaning to ERM as a capitalist neo-liberal new exploitation tool for securing the company for the Western investor. This meaning was only in the opposing bloc (Insurance experts), while the ERM team and their alliances in the company saw ERM is a good project for the company.

Geopolitics as the first part of my framework was challenging as most geopolitical studies are made at the macro level, mainly in international relations and political science studies. So, the final theorizing phase concerned questioned how to cascade geopolitical concepts like the clash of civilizations to the micro and meso level of analysis. After rereading institutional theory and institutional work writings, I found that institutional logics can bring these concepts to organizations' grassroots through the centrality and compatibility discussed in Chapter 3. From this point I focused on the geopolitics of institutional logics and how to use my data to clarify my model. Consequently, the context and analysis chapters (5 to 8) show how the data clarifies and highlights the model discussed in section 3.5.

Finally, through explaining my data collection, coding, and theory building I implicitly clarified the validity and reliability of my processes, storyline, and the built theoretical model. This contrasts with positivist, quantitative, case-based research in accounting, which is usually evaluated in terms of construct validity, internal validity, external validity, and reliability (Yin, 2009). Qualitative case-based research in (management) accounting is better judged based on criteria that better match these studies' ontological and epistemological standpoints (Ryan et al., 2002; Scapens, 2004). Such criteria should cover the research's procedural reliability and its external and contextual validities.

Procedural reliability – the researcher's ability to develop and implement good research design that clearly addresses research questions – was constructed through the procedures and steps explained throughout this chapter. External validity refers to the generalizability of the research's theoretical ideas and the research findings' transferability within and across contexts. This proposed theoretical model can be generalized to most Middle

Eastern and North Africa regions (MENA) as it reflects a geopolitical status the region has felt since the early 2000s. Nye’s (2004; 2011) writings about the West’s incorrect use of hard power in the MENA for the last 15 years, which produced doubts about Western intentions the region, support this claim.

Finally, contextual validity refers to the credibility of the case study’s evidence and conclusions (Ryan et al., 2002: 155–6). This covers the validity of empirical evidence collected, sources of evidence, and the researcher’s interpretations of the evidence. The current research largely fulfils contextual validity through the extended nature of the study. Hence, the empirical evidence used for theoretical development and testing was only incorporated in the analysis after being validated across interviewees, by re-interviewing key actors. In addition, whenever characteristic distortions signalling potential unreliability in a given source emerged, the validity of the evidence obtained from that particular source was assessed before deciding whether to acknowledge or disregard it. Finally, the validity of my own interpretations of the evidence collected was assessed through the abductive reasoning approach followed in this research.

4.7 Chapter Summary

This chapter has described the key steps and concerns of this research process. It began by positioning its philosophical stance as a critical accounting study. From this, I justified my choice of qualitative research using a single in-depth case study. I also clarified certain decisions regarding the space, time and number of visits for the field work. Section 4.4 described in more detail the data collection steps and how field contingencies caused changes to my theory and data depth and breadth. Section 4.5 gave detailed explanations of the data collection methods – interviews, observations, and documentary sources. Finally, section 4.6 addressed two main issues: how the analysis produced the geopolitics of institutional logics and how the theorization and the storyline presented in the coming chapters are valid and reliable.

The next chapter describes and analyzes the contextual geopolitical ramifications of the Egyptian Insurance Sector (EIS). In a sense it is a precursor to the organization’s analysis in subsequent chapters. Its main purpose is to situate the studied organization in its geopolitical context. It does so by explaining how changes in Egyptian geopolitical reactions affected both the insurance market and the studied organization within the broader Egyptian community. Chapter 6 describes the organization in detail and explains how the pre-ERM MCSs, or monologic controls, were embedded in multiple coexisting logics.

Chapter 7 explains how the transplantation and imposition of ERM and RBMC involves changing the full MCSs that was internalized in XYZ, which resulted in management divisions and two blocs in the company's top management because of the inclusion of a new logic that has low compatibility with the old coexisting logics. Chapter 8 builds on a clash of civilizations thesis to explain how the construction of two worlds and the production and reproduction of identities resulted in a micro level geopolitical shield against RBMC to protect the monologic controls and thus keep them as monologic.

Chapter 5 Egyptian Insurance Geopolitical Ramifications

5.1 Introduction

The Egyptian Insurance Sector (EIS) is managed at three interrelated institutional levels: country level, industry level, and organizational level. This chapter analyzes how geopolitical ramifications have made the EIS an important, distinct industry in Egypt and the MENA. By examining the historical evolution of insurance within its contextual socio-demographic implications, this chapter clarifies how the EIS was managed as a socio-political phenomenon. The chapter concentrates on the country's geopolitical reactions and how it changed rules, laws, controlling authorities, and techniques in each phase of Egypt's geopolitical history.

Egyptian insurance evolved during a set of distinct, historically specific political regimes: colonial, post-independence, liberalization, and the Arab Spring uprising and its aftermath. Each of these political systems has its specificity and geopolitical reaction(s) that affected industry regulations and control. Egyptian economic movements like colonial capitalism, nationalism, state capitalism, privatizations, and finally capitalism mixed with socialism were mainly geopolitical reactions that reflected the place's socio-political identity at a certain point in history. This is why the main claim of this chapter – that EIS has always been managed more through political than economic means, even in instances where technologies of efficiency were deployed – incorporates the macro political intentions of selection and implementation processes.

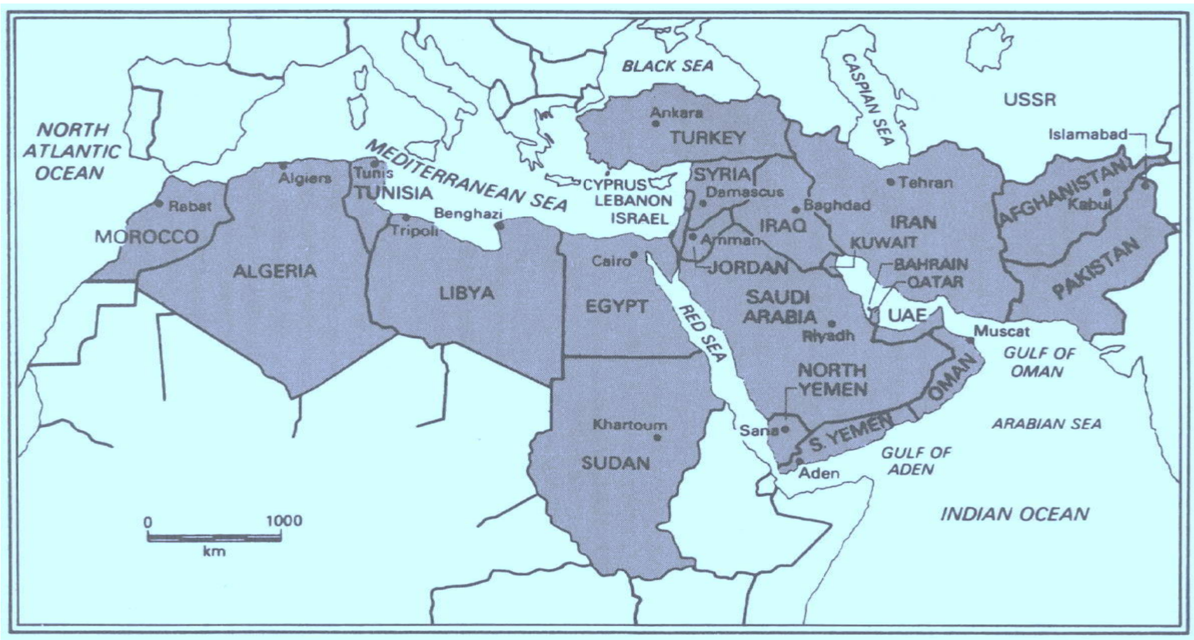
This chapter is structured into seven main sections. Section 5.2 briefly glimpses Egypt's population, geography, and history. Section 5.3 addresses Egypt's modern history under colonial capitalism, which witnessed the birth of its insurance industry as a means of safeguarding colonial investments and trade. Section 5.4 discusses the post-colonial phase and how anti-colonial state despotism became a regime of control. Section 5.5 then explains how Egypt's open door policy and state capitalism changed the EIS and its regulations to liberalize the market. Section 5.6 discusses how moving from state capitalism to a free market and joining GATS for services have changed the EIS. Section 5.7 concentrates on the Arab Spring uprising, its geopolitical reactions, and how it changed the EIS. Finally, section 5.8 summarizes the chapter.

5.2 Egypt: A Glimpse of Its Geography and Population

Egypt occupies the north-eastern corner of Africa, bounded to the north by the Mediterranean Sea, to the east by the Red Sea, Israel and the Palestinian Authority, to the south by Sudan, and to the west by Libya. The Sinai Peninsula in the north-eastern corner of Egypt is part of the Asian continent (Abdelrahman, 1990). Egypt has an essential geopolitical role in the Middle East as it controls the Sinai Peninsula, which is the only land bridge between Africa and the Eastern Hemisphere. This is why ancient Egyptians' main concern was having a strong army to secure the country against becoming a victim of outside powers (Peter et al., 2001). A map of Egypt and its neighbours is in Figure 5.1 below.

Occupying a focal geographic bridge linking Africa and Asia, has a civilization that has existed as a unified kingdom for more than 5,000 years (BBC, 2016). Egypt's long history stretches back to around 3500 BC, when many tribes living in the Nile Valley came together into two kingdoms: Upper Egypt and Lower Egypt. King Menes united these two kingdoms around 3100 BC. The united Egyptian kingdom started its first prosperity steps by developing agriculture (Zohry, 2002).

Figure 5.1 Egypt's Neighbours



(Source: Hopwood, 1993: ix)

This period was the most luminous part of Egyptian history in all aspects of civilization (e.g. medicine, astronomy, architecture, economy, military, culture, and law), but the kingdom's territory expanded and wars with invaders increased so the last ten years in this kingdom was difficult in all aspects (e.g. weak army, exhausted economy, internal revolutions). The bad conditions worsened with the Persian invasion of 525 BC (Ali, 1972).

Egypt's strategic location made it the object of numerous conquests after the Persians, including the Ptolemais, Romans, Greeks, Arabs, Fatimids, Mamelukes, Ottomans, and Napoleon Bonaparte. Consequently, from the sixth century BC until 1952 Egypt was ruled by foreign conquerors who were attracted by its agricultural wealth and geographic location. Such foreign powers include the Persians, 525–333 BC; Greeks, 332–30 BC; Romans, 30 BC to AD 284; Arabs, 642–1260; Ottoman Caliphate, 1517–1914; French, 1798–1801; and finally the British, 1882–1952 (Osheba, 1988; ESIS, 2016).

The country’s unusual geographical and cultural unity has given the Egyptian people a strong sense of identity and pride in their heritage as descendants of humankind's earliest civilized community (Hopwood, 1993). Today, Egyptian society reflects both its ancient roots and the profound changes that have occurred during the last two centuries as the country has become increasingly urbanized and industrialized. Nevertheless, approximately half the population still lives in rural areas where settlement patterns remain defined, where they have been since pharaonic times, such as by the Nile River and near irrigated agriculture (Zohry, 2002).

Regarding population, Egypt is the most inhabited country in the Arab world and Middle East. It is also the second most populated in the African continent after Nigeria and the fifteenth around the world with a total population of 89.5 million (WB, 2014). The biggest ethnic group is the Eastern Hamitic stock, which consists of Egyptians, Bedouins, and Berbers. Other ethnic groups include Armenian and European (primarily French and Italian), and 94% of the population are Muslims (Zohry, 2002).

Rapid population growth is a crucial problem that hinders development efforts in Egypt. This is further complicated with Egypt's cultivable land being extremely scarce relative to its numbers of people. Over 95 percent of Egypt's population is crowded onto around 5 percent of the total land area of one million square kilometres. The remaining 95 percent of its land area is arid desert (Zohry, 2002).

5.3 Colonial Capitalism and the Rise of Insurance (1805–1952)

Egypt stayed as an undeveloped and exploited agricultural colony until "Mohamed Ali" and his family started modernizing Egypt. The Mohamed Ali era commenced Egypt's modern history as he tried not to export Egyptian resources – as was done before him. This stems from his willingness to live in and rule Egypt, but he faced many problems like ottoman and British anger and bad economic conditions inside the country, which was exhausted from being pillaged since 525 BC (Shakry, 1972; Abdelrahman, 1990).

Ali's ambitious plan had two main approaches. First, he concentrated on building a strong army to avoid being colonized again by European powers (McGregor, 2006). Secondly, he increased agriculture areas to satisfy internal needs for crops then to export excess cotton and wheat to Europe. Ali was resourceful in his outside relations, because he convinced the ottoman's sultan that he was working under his patronage and that the Egyptian Army was under his command. However, Ali told him that they needed money to build a good army, which could be obtained by selling Egyptian crops to Europe instead of asking the Othman's treasury to pay. His trick worked and development commenced; he also expanded the kingdom territory to Sudan and Libya and started building dams on the River Nile to contain water for farmers (Vatikiotis, 1991; Fahmy, 1997).

After more than seventy years of development the dark age came again in 1882 when British colonization took the flag from king "Ismail", one of "Mohamed Ali's" grandsons. Ismail was more ambitious than previous kings and started turning Egypt into a modern and civilized country by launching vast schemes of internal reforms on customs systems and post offices, building sugar factories, finishing the railroad from the north of Egypt to Sudan, and, his most important achievement, was constructing the "Suez Canal" – an artificial sea-level waterway connecting the Mediterranean Sea with the Red Sea (Abdelrahman, 1990).

Ismail's changes were vast but initially funded internally. Consequently, he started getting loans from the British and French governments to complete his projects. He hoped that the returns of these projects would pay the loans, but this never happened. The British and French claimed the usufruct of the Suez Canal for 99 years to settle the debt. These countries then started forming colonies in the canal cities to monitor their money and property, leading to full invasion in 1882 (Abdelrahman, 1990; Shakry, 1972). This colonization lasted until 1952, when Egypt got its real independence after more than 2000 years of colonization (Farah, 2009).

The origins of Egypt’s insurance industry are in "Mohamed Ali’s" 1805 modernization reforms, especially when he started exporting cotton and wheat to Europe and marine insurance emerged through insurance agents from Britain, France, and Italy. Ten years later a good market was developed in Egypt. This encouraged foreign companies to open branches, though for foreigners insurance contracts were confined to fire, marine, theft, and life insurance (Alhamalway, 2009; EZ, 1969). When the Suez Canal opened in 1869, the need for insurance contracts increased and about fifty foreign insurance companies’ branches opened within two years (Hakim, 1955).

The Egyptian insurance industry flourished during British colonization. In the mid-nineteenth century Egypt was a main source of cotton for Great Britain’s textile mills. It also became a main market for selling British goods, and foreign direct investments started to appear in Egypt in many areas like initiating railways, building warehouses, developing textile mills, and constructing seaports to facilitate British trade (Hakim, 1955; Wasef and Ibrahim, 1981). Consequently, insurance was needed to secure trade and foreign capital, and this economic exploitation initiated new insurance types like fire, inland, and cargo (EFSA, 2014; Alhalwany, 1965).

British colonization and European interference in Egyptian affairs caused nationalist movements to emerge in 1890 (Shakry, 1972), but these escalated mainly after World War I because the American president "Woodrow Wilson" was preaching self-determination for all nations. The Egyptian nationalists started making peaceful demands to the British high commissioner in 1918 (Al-Rifaie, 1987).

The British response involved arresting and deporting “Wafd” members to Malta. This sparked the 1919 Egyptian revolution against British aggression. The British high commissioner realized this was going out of control so released Wafd members and negotiated with them (Shakry, 1972). Negotiations lasted until 28 February 1922, when Britain unilaterally declared Egyptian as independent but with certain conditions like defending Egypt, defining the number of army soldiers, full management of the Suez Canal, and hiring one of "Mohamed Ali’s" family members to rule again (Al-Rifaie, 1987).

The Wafd accepted these terms. But, as World War II started and German troops invaded Africa, the British high commissioner returned to Egypt with his soldiers and commanded the King to fight with him against Germany (Ansary, 1997). This made Egyptian army officers angry and they considered revolution against the king. A few years after World War II, in 1949, they founded the "Free officers movement". After three years of preparation, they made their move on 23 July 1952 and people in the streets supported them. They forced King "Farouk" to abdicate in support to his little son "Fouad", and leave Egypt (Fawzy, 1998).

The insurance industry was closely related to these socio-political changes. When Egyptians were seeking independence from British colonization, nationalist thinkers used economics to decrease the market domination of foreign investments and companies (EFSA, 2014). Consequently, they established the first Egyptian private company in 1900, the "Al-Ahlia Insurance Company", to compete with 123 foreign foreign branches and agencies. Following this first move, the "Alexandria Insurance Company" was established in 1920 to increase Egyptian control over the market (Alhamalway, 2009).

The market stayed this way until Britain declared Egypt as independent in 1922. Until that time no Egyptian public sector company was in the market as the only two Egyptian companies were private sector companies. The new government planned to open publicly held insurance companies, but the king refused this and the plan was suspended until 1933 when he agreed to open the first publicly held company – the "Al Shark Insurance Company". The next year the "Misr Insurance Company" opened; many private Egyptian insurance companies followed. This period witnessed huge expansion in the insurance sector as many branches of foreign companies also opened (Hakim, 1955; Nagub, 1997).

No Egyptian laws existed then to control the market as foreign companies were established and controlled in accordance with British laws. The first Egyptian involvement in controlling the EIS came in 1939 via issuing Law No. 92, which subjected all insurance companies and agencies to governmental supervision regarding financial matters (by which I mean financial position, liquidity issues, paying claims, and keeping safe reserves). Although the law was meant to cover all companies working in the EIS, it exempted marine insurance companies. The legislator saw that their transactions were international and cannot be fully controlled. Also, this somewhat flimsy law contained no supervision on pricing insurance products or sanctions for violations. It was amended in 1950 to include marine insurance and broaden its scope (EFSA, 2014).

5.4 Independence and the Egyptanization Movement (1952–1978)

The highly centralized structure continued to characterize Egypt's governance until Egyptian independence in 1952 (Holbik and Drachman, 1971). After independence Egypt ushered in socialist reforms, beginning with economic reforms through cancelling feudalism and nationalizing lands then distributing them equally among farmers. Nasser (president 1954–1970)[3] played a pivotal role in anti-imperialist movements in Egypt, the Middle East and Africa (Fawzy, 1998). He wanted to turn Egypt into an industrial country but faced poor economic resources and infrastructure. Consequently, he built the High Dam in the south between Egypt and Sudan to maintain water and generate electricity for future factories (El-Bishry, 1987).

During its first years as a post-colony, Egypt adopted a neutralist position in the ongoing USA–USSR Cold War (Dougherty, 1959). Tensions between Nasser and the West increased from 19 July 1956 onwards when, after negotiations for three years, the World Bank (WB) announced it was unable to provide Egypt its required loan to finance building the High Dam because the financing countries (USA and Great Britain) had withdrawn from financing the debt (El-Bishry, 1987).

The WB's refusal left Nasser with no money, but the High Dam was vastly important for his Egyptian industrialization project. Accordingly, he funded the project from Egyptian resources. Nasser thus initiated the nationalization movement with the Suez Canal project and by building factories. The British and French perceived this nationalization as aggression against them; thus, the Suez Crisis began and escalated but ended through the "tripartite aggression" against Egypt (Ansary, 1997; Hopwood, 1993).

Tripartite aggression started as a diplomatic confrontation in 1956 between Egypt and a British, French, and Israeli alliance but escalated to military invasion very quickly and unexpectedly. The former Soviet Union, which threatened to use nuclear power, and the United Nations forced Britain, France, and Israel to retreat from Egypt. After the crisis, "Nasser" continued building the High Dam from Suez Canal money, then the telephone company; after this, created many banks and more factories (Fawzy, 1998; Farah, 2009).

[3] Although the first president of Egypt was Mohammed Naguib, he wielded no real power as all his decisions had to be approved by the Revolution Command Council, which Nasser dominated. Eventually (in 1954), Nasser overthrew Naguib.

Following the events of 1956, Nasser had little choice but to turn to the USSR for economic and political assistance, starting an economic and political alliance that lasted over a decade (Holbik and Drachman, 1971; El-Bishry, 1987). Eventually, the Egyptian–Russian strategic alliance was taken to a higher level when Nasser issued the socialist decrees in 1961. Subsequently, Nasser announced that the 1952 revolution now needed a cultural revolution that was

> hostile to imperialism, hostile to reaction, hostile to feudalism, hostile to the domination and dictatorship of capitalism, hostile to all forms of exploitation - a cultural revolution which aims at [letting] the people know their rights, their [true] gains, their hopes, and finally who their friends and enemies are.
>
> (Cited in Crabbs, 1975: 387).

Triple aggression was not the last crisis and war with Nasser. Israel wanted to get back the Suez canal and Sinai so, without warning, another war began in 1967. In only six days Egypt lost Sinai and the Egyptian army lost about half its force. Three years later, Nasser passed away. The third president, "Mohamed Anwar El Sadat" (1970–1981), immediately reformed and reinforced the army. He made another war with Israel in 1973 and retrieved both Egyptian land and Egyptian dignity (Heikal, 2002). Egypt’s strong alliance with the communist bloc extended throughout Nasser’s rule and the early years of Sadat’s. It was after the end of the 1973 Egyptian–Israeli war that Egypt’s strategic alliance started shifting from the communist bloc to the capitalist West – especially the USA (Osman, 2011).

The Egyptian insurance industry was affected badly by these unstable conditions because insurance is related to trade and investment movements and these are directly affected by political instability. Thus, World War II, the 1952 revolution, the triple aggression 1956, the six days war 1967, and finally the 1973 war disrupted and sometimes ceased investments and trade. These caused EIS rescission and let to enormous losses by insurance companies, who consequently withdrew from the EIS (EFSA, 2014).

The Suez Canal nationalization announcement brought many aggressive Western economic sanctions. Western governments like the UK announced the freezing of Egyptian assets and balances in their banks and treasuries (around 400 million pound sterling). All Western reinsurance companies cut relations with the Egyptian market and its companies. Even the reinsurance contracts Egyptian companies paid were declared void from the day of the announcement (EFSA, 2014; IFE, 2014).

In response to Western pressures Nasser nationalized around 130 companies, including many factories and service organizations Britain and France owned. The nationalization movement did not include insurance companies or banks. Instead, he also implemented new reforms called ‘Egyptianization’ by closing the market for new foreign companies and helping governmental companies stand against such existing companies (Wasef and Ibrahim, 1981). Egyptianization Law No. 23 was issued in 1957. It stated that all working insurance companies in the market must reinsure 30% of its direct premiums with Misr Reinsurance Company (the government’s reinsurance company), that new foreign companies are not allowed to open in the market, and that any foreign branch of a Western company must register itself as an Egyptian corporation with the ministry of finance or close its doors and leave the market (IFE, 2014; Wagdi, 2014).

Notably, Egyptanization was different from nationalization as the law has not nationalized foreign insurance companies. The explicit announced reason for compulsory reinsurance with the government’s company was to protect policy holders and companies from unexpected cancellations from Western reinsurance, as happened in 1956 (EFSA, 2014). Implicitly, however, this was to limit foreign companies’ investments in the market but also to encourage foreign companies to leave the market or, if they stayed, help governmental companies grow faster in the market and compete with them. Law changes and compulsory reinsurance with the publicly held reinsurance company caused more than 25 foreign companies to withdraw from the market (Alhamalway, 2009). By December 1960, the net number of working enterprises was 16 Egyptian companies (of these, four were publicly held while the rest were private sector) and only 25 foreign companies (Alshabasy, 2011).

In 1961 the EIS controlling authority reported that some foreign companies were not fully complying with the laws and that they delayed payments to the Misr reinsurance company. Consequently, by July 1961 Nasser issued presidential decree number 117 to nationalize all the remaining 25 foreign companies and to ensure that their reserves and portfolios, policies, and liabilities be forwarded and distributed between the governmental companies in the market. The decrees identified and clarified that the government would not be responsible for these companies’ liabilities unless it collects its premiums and holds its reserves and investments. The nationalization process took around two years to transfer all these companies’ assets to the government (Soror, 2014).

The EIS became fully Egyptainized and nationalized by 1963 and, as noted, the market contained only 16 Egyptian companies (four publicly held). The EIS had few changes after that, until in 1975 laws 119 and 54 were issued over old laws to control the EIS. The new laws contained the same sections of the old laws but had additional sections regarding controlling mediators, brokers, insurance producers commissions, responsibilities, and registrations. Moreover, the legislator compelled the companies working in the EIS to report to it what sort of insurance transactions they were covering, and if they wanted to cover any additional type of insurance they must get approval from the government to issue new types of insurance policies (EFSA, 2014; Wagdi, 2014).

5.5 State Capitalism and the Open Door Policy (1978–1991)

In 1974 President "Sadat" started peace negotiations that ended in 1978 by signing the “Camp David Accords” peace treaty with Israel, which still applies today (Salem, 2011). For this he was awarded the Nobel Peace Prize. Inside Egypt he was called the “war and peace champion”. He was also working on internal reforms by seeking private and foreign investments in the market (Heikal, 2002).

There are many reasons for the geopolitical shift Sadat made. First, Egyptian public policy, governance, and economic reforms were related to the 1978 Camp David Accords and American mediation in this process (Hopwood, 1993). Hence, democracy promotion and assistance programs the US provided under the guise of development started to dominate, and they were key to strategic US interests and the foreign policy Egypt deployed to attract such interests. Egypt had been receiving approximately $2 billion per annum in US foreign assistance since then. Most of this went to the military, which had recently been receiving $1.3 billion. Despite being a significant military and economic aid recipient, including democracy assistance, Egypt lacked democratic provisions (Hammam, 2010).

Secondly, signing a peace treaty with Israel while Palestine and Syria problems with the Israeli government were not resolved was misunderstood by many other Arab countries, especially Gulf countries (Fawzy, 1998), and Islamist groups inside Egypt (Hopwood, 1993; Reed, 1993). This led to implicit confrontations between Sadat and these countries. Entire Gulf investments were withdrawn and sudden breaks in some petroleum aids were made. Losing these regional alliances forced Sadat to think about his geopolitical resources and how to utilize them without old alliances. The US offered IMF and World Bank aid for the Sadat government’s required funding (Fawzy, 1998; Heikal, 2002).

Thirdly, the rise of neo-liberal economics globally but particularly in Egypt catapulted a formerly economic solution in a changing world order to a considerable threat to realizing a much needed democratic and participatory system of governance. Neo-liberal market structures, which were supported by the United States and Western Europe and facilitated through International Financial Institutions such as the WB and IMF, were being exported and implemented without creating a real political democracy to support the market rules governing the economy. These reforms concentrated on changing the market structure but left remaining infrastructural aspects to the central sovereign government. This led to a new form of feudalism with the hand of ministers who have the political and economic power (Gills and Rocamora, 1992).

Finally, numerous Egyptian economists and researchers suggest that although the public sector achieved some of its political and economic objectives during Nasser's time, it had major drawbacks. Hence, a strong public sector enabled the government to develop many industries, to raise the employment percentage, and to decrease economic dependence on the Western world. It also helped Egypt to emerge safely from one of the most difficult periods in its history when the country was involved in three consecutive wars (Badr-Eldin, 2013). Nevertheless, the public sector was partially responsible for problems in the Egyptian economy like the increase in the balance of payments deficit, local and foreign debt multiplication, and inflation rates increase (Abdelrahman and Ali, 1989). It also failed to develop its production methods, to increase exports, or to compete effectively with imports (Afify, 2001).

After Egypt's victory in the 1973 war, Sadat and his government launched the "Open Door" economic policy, or "infitah in Arabic". Under this policy, the economy was to be substantially liberalized and made more responsive to market forces (Afify, 2001). Numerous laws were introduced to support it, such as investment law. The policy's main objective was to encourage economic development in Egypt through joint ventures that brought Egyptian labour and management, Arab investment, and foreign capital alongside Western technology and management expertise. To further encourage private sector development, a 1979 presidential decree established the Capital Market Authority to help revive the capital market in Egypt (Farah, 2009).

Sadat's attempt to change Egypt's economic policy from state capitalism to market capitalism was destined to fail as Egyptians were not ready for the subsidy cuts the IMFs suggested. Accordingly, the structural reforms the IMF pushed for never materialized under Sadat's rule. Although Sadat did open Egypt's doors to private capital, when his rule ended the Egyptian public sector was still the most influential economic actor in the economy (Osman, 2011). This democratic socialist era combined basic principles from the West along with old socialist actors in the market (Badr-Eldin, 2013).

Egypt's strategic alliance with the capitalist West continued even after Sadat's assassination in 1981. Mubarak, Sadat's successor and the Egyptian president between 1981 and 2011, maintained Egypt's close ties with the USA and the International Financial Institutions throughout his rule. But in his early ruling days, Mubarak was reluctant to follow the IMF's continued advice regarding profound structural changes for Egypt to improve its economic and fiscal performances, mainly because of possible public unrest through the IMF's proposed reforms (Osman, 2011).

Mubarak began his presidency term stressing needs for a well-developed infrastructure in energy, telecommunications, roads/highways, sewage, water, and new cities development. He then emphasized the need for more private investments and called for rationalization of the public sector and the deregulation of financial and monetary policies. Consequently, private investments in Egypt significantly increased. Eventually, given Egypt's economic conditions at the time, Mubarak changed his stance and started implementing the IMF's advice in 1991 (Badr-Eldin, 2013).

To encourage private sector development during this era, the Egyptian government issued numerous laws in 1981 (e.g. Stock Exchange Law 121, Income Tax Law 157, and Companies Law 159). A key amended feature of the last one was that companies no longer had to distribute 25% of their net profits to their employees, as was the case under the old Companies Act of 1954. However, it still required companies to pay annual workers' bonuses equal to 10% of profits or 100% of total paid wages and salaries, whichever was smaller.

EIS changes were very rare in this period as foreign investors still feared entering the Egyptian market, especially after the nationalization and Egyptainization movements. Nevertheless, some new foreign investment started entering the market by the late 1970s, including two new companies with venture capital – the Egyptian American Insurance Company and Arab International Insurance Company. Egyptian private investments abounded in this period. Private sector market involvement increased because many private Egyptian insurance companies were established with the open doors policy. For example, in 1979 Suez Canal insurance Company; in 1980 Almohandis Insurance Company; and in 1981 Aldelta Insurance Company were all established and started working in the market (IFE, 2014).

The situation changed in Mubarak's days as he was more connected to the West and expected more prosperity in insurance during peace time. Consequently, law No. 10 was issued in 1981 for insurance practices and supervision (Alhamalway, 2009). This law prevails today, albeit with some minor modifications. Its most important consequence is that it established the independent Egyptian Insurance Supervisory Authority (EISA). It also gave EISA the right to have technical supervision (e.g. reinsurance contracts, methods of risk assessment, assessment of allowances held, pricing, reserving and underwriting procedures, and investments). Although it has not identified sanctions for violating companies, it authorized EISA to determine these and gave it full authority (EFSA, 2009). By making EISA the authority for sanctions, this law filled the major shortcoming of law No. 119 of 1975, which did not identify any sanctions or responsibilities for governmental control (EFSA, 2014).

5.6 Market Capitalism and Neo-liberalization (1991–2011)

As highlighted earlier, until the 1990s the public sector dominated the Egyptian economy (Kholeif et al., 2008). In 1990, the Gulf War between Iraq and Kuwait affected the Egyptian economy badly as the Suez Canal transactions were almost stopped and petroleum products prices rose dramatically. The Egyptian army entered the war to help Arab and international troops liberate Kuwait, but the war caused massive returns of Egyptian workers from the conflict zone, losses of workers' remittances, a decline of tourist receipts, and a worsening investment climate (Mohieldin, 1995).

Consequently, in 1991 the government needed funding to reduce its budget deficits. The IMF and the WB encouraged the Egyptian government to implement a comprehensive economic reform programme to

> create, over the medium term, a decentralized market based outward-orientated economy where private sector activity will be encouraged by a free, competitive, and stable environment with autonomy from the government intervention. For this purpose, controls on economic activity and investment are to be dismantled and primary reliance placed on market forces for resource allocation.
>
> (IMF 1991, cited in Mohieldin, 1995: 12)

The WB and the IMF strongly recommended privatization in the economic reform programme. The programme also sought to end controls over investment and remove tariffs on imports, eliminate subsidies on manufacturing, partially remove subsidies on energy prices, and create better methods for consumer subsidies allocations. EIS was far from privatization movements as public sector companies were profitable for the government, unlike many other manufacturing companies (IFE, 2014).

Although EIS had not been privatized, the IMF and WB reforms brought many changes in its regulation and control. In 1994 Egypt joined the GATS for services so the government modified some laws and regulations to reflect subsequent market competition. In February 1995 law No.91 was issued to amend old laws (Abobakr, 2003). The most important changes are as follows: allowing foreign investment ownership in direct insurance companies with 49% ownership limits; ensuring the chairman of any company was Egyptian, and foreigner numbers in the board did not exceed half; ensuring that the external auditor was Egyptian and registered as accepted by EISA; and tightening sanctions on any company that violates the law (Nagub, 1997; Alhamalway, 2009).

In September 1998 many member countries of GATS invoked some of the above practices and asked for a law amendment, else Egypt would bar the insurance market and sanctions on the Egyptian government would be applied. Consequently, the Egyptian government issued law No.156 in December 1998, which modified laws 10 and 91 on insurance practice. The most important changes were eliminating the 49% foreign investments limit and negating the Egyptian chairman's role. It added that companies' shares must be common shares only, and that companies are not allowed to issue preferred stock or bonds unless the EISA approve this. Finally, the law permitted foreigners to own publicly held insurance companies, which was not allowed previously (EFSA, 2014; IFE, 2014; Wagdi, 2014).

This massive change increased the need for another authority to help the EISA control the market. Consequently, the IFE was established in December 1998. IFE registration and membership is compulsory for all insurance companies working in the Egyptian market. This authority helped compromises between Egyptian and international technical issues in underwriting, pricing, and reserving. Through quarterly meetings companies agree on best practices then ask for EISA approval of these rules (IFE, 2015, 2014). The EISA implicitly sees and controls IFE as the latter's board has members from EISA.

Corporate scandals like Enron and World Com meant the EISA made market reforms by issuing compulsory corporate governance regulations. In addition to applying specified risk assessment methods and implementing actuarial assessment outsourcing (EISA, 2004). Moreover, listed companies had to develop a good internal control system and define the previous terminologies in a manual the EISA sent companies' chairman. At the end of the manual the EISA determined that companies' should report these reforms and developments on a quarterly basis (Alshabasy, 2011).

When market capitalism took power in 2004/2005 the EIS needed more amendments to complete its governance reforms. Consequently, an ambitious program of reforms began as part of a larger plan to reform Egypt’s entire financial sector. These reforms were based on four essential pillars: modernization and restructuring of the supervisory framework; upgrading private pension funds legislations; improving the business environment and raising public awareness; and restructuring state-owned companies (EFSA, 2009).

Within the reforming and restructuring framework for State-owned companies, a presidential decree was issued on the 15 July 2006 to establish Misr Insurance Holding Company (MIHC). It became their new owner and assumed responsibility for their restructuring and reform. MIHC then began internal restructuring of its assets, which included insurance policies, real estate investment, stocks portfolios, deposits in banks, and other investments (Soror, 2014).

Early in 2008, Law No.118’s issuance started risk based supervisory procedures. The law enforced insurance companies that merged both insurance activities (life and non-life) to separate them within 2 years, though this could be extended according to EIS approval (Wagdi, 2014). The law concentrated on underwriting procedures and insurance producers’ commissions, registration, qualifications, and training. Western partners convinced the EISA that if mediators of the process (insurance producers) are well trained and aware of risks, this may decrease both operational and underwriting risks.

In parallel, thoughts surfaced regarding reforming ministries and control environments in all non-banking sectors. The Government and EISA made contacts and devised training programs with the International Association of Insurance Supervisors (IAIS) and United States Agency for International Development (USAID) to ensure good supervision in the EIS. These efforts did not materialize into actual practice before the financial crisis ended in 2008/2009. After the financial crisis and with American coercion came a presidential decree to reform ministries and supervisory authorities in Egypt. Consequently, EISA merged into a bigger supervisory body called EFSA (EFSA, 2014).

EFSA is a public authority with its own legal status, was established in accordance with law No. 10 in 2009, and is responsible for supervising and regulating non-banking financial markets and instruments, including the capital market, exchange market, and all activities relating to insurance services, mortgage finance, and financial leasing. It has replaced many previous supervisory authorities such as EISA, the capital market authority, and the mortgage finance authority (EFSA, 2009).

In the insurance market EFSA supervises and controls all insurance activities, including direct insurance companies, reinsurance companies, cooperative insurance associations, private insurance funds, governmental insurance funds, and insurance pools. Its main duties include ensuring proper achievement of economic and social targets of insurance activities; maintaining national savings; ensuring insurance companies' financial position, coordinating and preventing conflicts among them; elevating insurance careers; and effectively providing expertise, risk calculations, and management (EFSA, 2009).

EFSA controls the insurance market through its main activities: first, Registration of the companies and persons practicing insurance means that for insurance-related activities the company or person is required by law to be registered with the EFSA (EFSA, 2010). Second, approving insurance policies involves the EFSA, when approving the terms and forms of newly issued or amended insurance policies, issuing such policies to customers in a clear and simple way to avoid possible disputes. Insurers and reinsurers must provide the EFSA with copies of insurance policies and a statement of their prices. Third, protection of policyholders' rights helps the EFSA protect the rights of policyholders, beneficiaries, and third parties (EFSA, 2010).

5.7 Recent Revolutions and Its Aftermath (2011– Onwards)

The Arab uprisings in Egypt, Tunisia, Libya, Syria, and many other Arab countries represent unfinished revolutions (Lynch, 2013). They caused massive shifts in the Arab world's attitude, cognition, politics, and economic policies. The Arab Spring came from geopolitical reactions and had unintended consequences, like changes in players, political upheavals, and social unrest, which have affected these economies badly recently. In short, it produced an environment of extreme uncertainty (Elmassri et al., 2015) in which Middle

Eastern geopolitics changed and is still changing in unexpected ways. Tunisia is still amidst unrest, Libya and Syria are almost destroyed and experiencing civil war, and Egypt has had three presidents and around five cabinets in the last five years.

Pre-revolution, Mubarak's neo-liberalism, free trade, and privatization made the Egyptian economy perform better than ever. GDP growth shifted significantly from below 5% in the mid-1990s to 7% in 2006–2008. Egypt's share of world trade started expanding as exports tripled in value. Foreign investment had a cumulative total of $46 billion between 2004 and 2009. Gross public debt in that period fell by nearly a third (Bakr, 2011). Consequently, revolution shocked Mubarak's Western alliances, but Egyptians expected revolution sooner or later for many reasons, as will be shown.

However, although the neo-liberal economy had positive statistics, it reduced the state's role and handed control to the private sector. Moreover, privatization mixed with corruption yielded industrial and rural elites who depended on the state for access to public resources and services (Farah, 2009). This process was actively organized through partnerships between bureaucratic elites and the new industrial and rural elites (Salem, 2011). Through this alliance the neo-liberal cabinet of Ahmed Nazif[4] misused public resources as loans were provided by state banks for the private sector to acquire state enterprises, often backed by false guarantees (Farah, 2009; Joya, 2011). Owing to these practices Egypt was ranked 112th of 182 counties in the corruption rank (Transparency, 2011).

Neo-liberalism and its tools did not resolve Egypt's problems, particularly rapid population growth. Population growth was a major geo-economic problem in Egypt that have geo-strategic importance with any Egyptian cabinet and poor population distribution was another socio-demographic concern. Also, a young population needed a good education system and good jobs waiting for them, which never existed pre-revolution. Furthermore, universities' rapid expansion led to 700,000 new graduates competing for 200,000 new jobs (Bakr, 2011), and unemployment reached 13.9% in 2011 (WB, 2011).

Politically, Egypt lost its regional power to nearby competitors like Saudi Arabia, Qatar, and Turkey. Egypt, which supported decolonisation movements and led pan-Arabism using soft and hard powers in the 1960s and early 1970s, has thus lost its position. In Africa,

[4] Ahmed Nazif served as the Prime Minister of Egypt from 14 July 2004 to 29 January 2011, when his cabinet was dismissed by Mubarak in light of the Egyptian revolution.

countries perceived Mubarak as arrogant and uncooperative, causing the Nile crisis whereby African Nile countries signed the Antibi Treaty to divide Nile water quotas (Bakr, 2011). Consequently, Egyptians shared a deep sense of frustration regarding their losses. The people were frustrated and perceived the Egyptian government to be a US puppet that caused humiliation and frustration (Al Aswany, 2011).

The Egyptian and Arab revolutions happened amidst various political, economic, and social problems (Wahba, 2011), including economic and social inequity as well as low living standards and increasing unemployment within a repressive political regime that stifled opposition, prevented free elections and freedom of speech, falsified parliamentary elections, liberally employed 'state of emergency' laws, and was characterized by police brutality (Bakr, 2011; Dahawy et al., 2011; Elmassri et al., 2015). On the community level, revolution happened to retrieve a sense of dignity (Kazam, 2011; Salem, 2011) and eradicate American domination of daily life (Al Aswany, 2011). Nabil Fahmy[5] said 'Egyptians are retaking ownership of their own country' (cited in Salem, 2011: 18).

Revolutions always have costs. Egypt's internal ones related to security and economic problems while internationally these concerned interventions and pressures. International responses to Egypt's unrest was initially mixed but changed with the non-stationary development of the uprising. Many governments showed concerns, issued travel advisories, and tried to evacuate their citizens from the country (Wahba, 2011). Tourism revenues in 2011 decreased by 60% and official reserves went down by 22% (Bakr, 2011). The level and efficiency of security decreased all over Egypt. During the revolution, 4,000 police vehicles were destroyed, and segments of society gained control over weapons from policy station ammos. Car thefts and stores burglaries were very high at around 50,000 but many other happenings lacked clear statistics (Bakr, 2011), though security levels in the streets were certainly very low (Elmassri et al., 2015; Emam, 2012).

Egyptians accused the United States of hypocrisy and double standards (Al Aswany, 2011; Cook, 2012). They stressed their role in defending democracy and human rights all over the world, but when Egypt made its first step to being a democratic state US–Egyptian relations deteriorated. There was even a congress debate over continuing US foreign assistance to Egypt in terms of Economic Aid, Military Aid, Recent arms sales

[5] Nabil Fahmy is an Egyptian diplomat and politician who served in the Egyptian government as Minister of Foreign Affairs from June 2013 to July 2014.

Notifications, and US–Egypt trade (Sharp, 2011). Egyptians deemed this to be interference in their internal affairs.

At the societal level, Egypt's expectations post-revolution were high (e.g. workers asked for pay rates increases). However, within an environment of continued strikes, diminishing returns, and tourism, the caretaker government called for co-operation and the cessation of strikes, emphasizing a need to turn the wheels of production to improve the economy, create jobs, increase exports, and raise standards of living. Hazem El-biblawi[6] stated:

> The government completely understands the legitimacy of these demands, especially after the long history of injustice…But on the other hand, the situation is really difficult and needs everyone to cooperate with the government.
>
> (Shams El-Din, 2011: 2)

The presidential election offered an opportunity to improve this situation. In May 2012, Dr Mohamed Morsi, a Muslim Brotherhood candidate, won a narrow majority of 51.5% from Dr Ahmed Shafik (a former Air Chief Marshal, and a former Minister and Prime Minster in the Mubarak regime). While Morsi was the first democratically elected President of Egypt, social unrest was not appeased and Morsi's government oversaw increasing political conflict (Elmassri et al., 2015).

Morsi's presidency was short lived, as he was removed from power in 2013. In part, this came from a perception that Morsi was not managing the transition to democracy. On 22 November 2012, President Morsi issued a new constitutional declaration that temporarily granted him absolute executive and legislative powers. The declaration was a pre-emptive strike, shielding the Brotherhood's crumbling presidency from any attack within political society. For doing so he was called 'a new Pharaoh' in Egypt (Richard and Magdy, 2012; De Smet, 2014), and the Egyptian media called it "an Islamist coup".

Presidential decision called tens of thousands of concerned Egyptians back to the streets. Unlike people's unity against the regime during the 2011 uprising, these demonstrations were divided between popular forces protesting against the new Pharaoh and the Brotherhood sympathizers supporting the President's decision to protect the revolution (De

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[6] Hazem El-biblawi is an Egyptian economist and politician who was interim Prime Minister of Egypt from 2013 until 1 March 2014. Previously he served as Deputy Prime Minister and Minister of Finance in 2011.

Smet, 2014). This uncertainty and increased tension escalated until a new wave of revolution to overthrow Morsi started on 30 June 2013. The army supported and protected this revolution as in 2011 first revolution, and a new transitional government was in place by 3 July 2013 until president Abdelfattah El-Sisi was elected in June 2014.

Insurance was not very far from this chaos. The insurance market serves capital security, foreign and national investments, and personal properties. As the economy worsens, insurance follows the same trend (Alhamalway, 2009; Alshabasy, 2011). During the 2011 revolution insurance companies and the EIS were having two major fights. The first was internally with the EFSA as tried to force them to pay insurance claims for all the damage during the revolution, despite the claims being due to political turmoil. The second was with international reinsurers who mostly refused to cover claims from the revolution as they were not covered in their initial contracts.

From its perspective the EFSA tried to protect the EIS from collapsing because of the many claims to pay, which totalled 1 billion pounds in 2011 alone (Mohamed, 2013). To protect the EIS, the EFSA refused international reinsurers' assessment and defined Egypt's situation as a revolution, political violence, and turmoil. This rejection and new definition compelled international reinsurers to pay full reinsurance claims due on them, which reached 800 million pounds (Finance, 2013). EIS paid only 200 million pounds instead of the full 1 billion pounds from their reserves.

Internal fights with the EFSA covered many issues relating to new policy issuances and increased market uncertainty. Turmoil in the streets and increased strikes increased the awareness of and demand for insurance policies to insure personal and business properties, though insurance companies were reluctant to take more risks from the market because the probability of paying these risks as claims was very high (Mohamed, 2013). Despite these issues insurance issuance subsequently grew between 10 and 20% (MEIR, 2016). Policies ranged from micro insurance to massive coverage of big projects like extending the Suez Canal project, though most were on the micro insurance sector (Mohamed, 2013).

The reinsurers paid massive amounts on claims in 2011 so they requested more premiums and commissions along with less coverage or they would refuse new transactions. Meanwhile, the EFSA pressured companies into issuing new policies for customers or else they must pay sanctions and their registration may be suspended. In this issue the IFE played a pivotal role. Hence, all insurance companies in the IFE agreed to decrease their coverages to types of insurance that made their reinsurers happy to participate in the transaction. For example, they agreed to increase premiums on car insurance for fire or burglary and decrease companies' coverage by covering only up to 75% of the car's amount. If the customer wanted 100% coverage, s/he should pay 150% of the regular car premium (Alborsah, 2014).

5.8 Chapter Summary

This chapter has examined EIS management as a geopolitical phenomenon. The logics literature argues that institutions and their interactions cannot be understood outside their social contexts (Thornton and Ocasio, 2008; Thornton et al., 2012). Accordingly, this chapter describes the socio-political and economic context of the study, emphasizing the emergence and evolution of EIS and its management through geopolitics rather than economic means.

The chapter illustrated how Egypt's development philosophy changed from one phase to another and identified the key contextual factors influencing EIS in each phase. Examining EIS and its relationship to Egypt's economic, social, and political context was divided into five periods: Colonial capitalism (1805–1952); Nationalization, Socialization, and Egyptianization (1952–1978); 'Open Door' policy era and State capitalism (1978–1991); Neo-liberalism and market capitalism (1991–2011); and the Revolution and its aftermath (2011 and onwards).

Evidently, EIS management is intricately intertwined with the county's geopolitical reaction in each phase. Before independence the colonial power controlled the insurance market. However, when Egyptian geopolitics shifted to socialism and nationalization after independence in 1952, the Egyptian authorities gained full market control through new laws and regulations but also nationalization and Egyptianization movements.

When Egyptian geopolitics started changing again more in relation to the West, state capitalism and the Egyptian private sector started to arise in the market again. Also, more capitalist reforms happened alongside market restructuring, and supervisory authorities were founded. Finally, the revolution and its aftermath as a new geopolitical factor changed the EIS and crisis management moves were implemented to stand against market chaos and international pressures over the EIS.

Chapter 6 The Logics of Monologic Controls

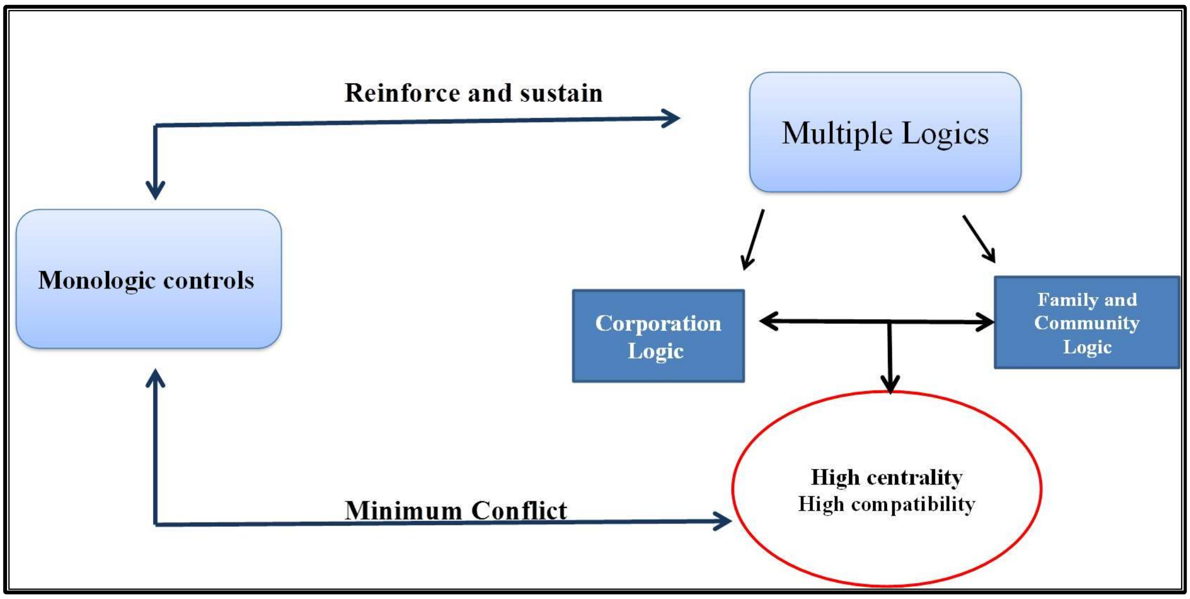
6.1 Introduction

The preceding chapter gave an overview of the geopolitical ramifications of the Egyptian insurance context. This chapter discusses the Pre-ERM control system, its logics multiplicity, and how its multiple logics coexist and blend. This will be done by explaining XYZ’s control cycles and the logics related to these (section 6.3 and 6.4). In doing so, it traces the case company’s Pre-ERM control practices and tools to identify the logics embedded in these practices, and it refers to Thornton et al.'s (2012: 73) ideal types by identifying the sources of legitimacy, authority, and identity in the control practices. In short, applying the ideal types’ dynamics to the practices will reveal how Pre-ERM controls contain three main logics: corporation, family, and community.

After identifying the multiple logics related to the control system, this chapter examines the logics instantiation process by deploying the theoretical concepts of centrality and compatibility (section 6.5). As previously explained in the theoretical model (see section 3.5), centrality and compatibility as theoretical concepts will be used to understand how multiple logics are interacting with each other. In their application I will refer only to section 3.5.1 of my analysis model and the drivers of centrality and compatibility (see table 3.1). For compatibility, I focus on the number of professional bodies, hiring and socialization, and individual ties as drivers. For centrality, the emphasis is on mission and strategy, power structure, and resource dependence as drivers. Merging drivers and logics showed that the control system has a high level of both centrality and compatibility, so the logics are coexisting with minimum conflict, or what Besharov and Smith (2014: 373) call ‘Aligned’ context. Figure 6.1 below summarizes this chapter.

The chapter is organized as follows. Section 2 describes the background of the organization under study. Section 3 addresses XYZ’s formal control procedures, tools, and logics. In section 4 I outline and illustrate logics related to the informal part of the control system. Section 5 analyzes how the formal and informal logics coexist with minimum conflict. Finally, section 6 provides a chapter summary.

Figure 6.1 The Coexisting Logics in XYZ's Monologic Controls



6.2 Background of the Case Company

The company studied herein works within the insurance industry. To preserve its anonymity, it is called "XYZ" here. It is the biggest and oldest private sector Egyptian non-life insurance company as it was founded in 1979. It started to rise in the Egyptian market as public policy moved to state capitalism. Today, it has 30 branches throughout Egypt. As the internal audit GM clarified, XYZ has nearly 3,200 hired employees and tied agents.

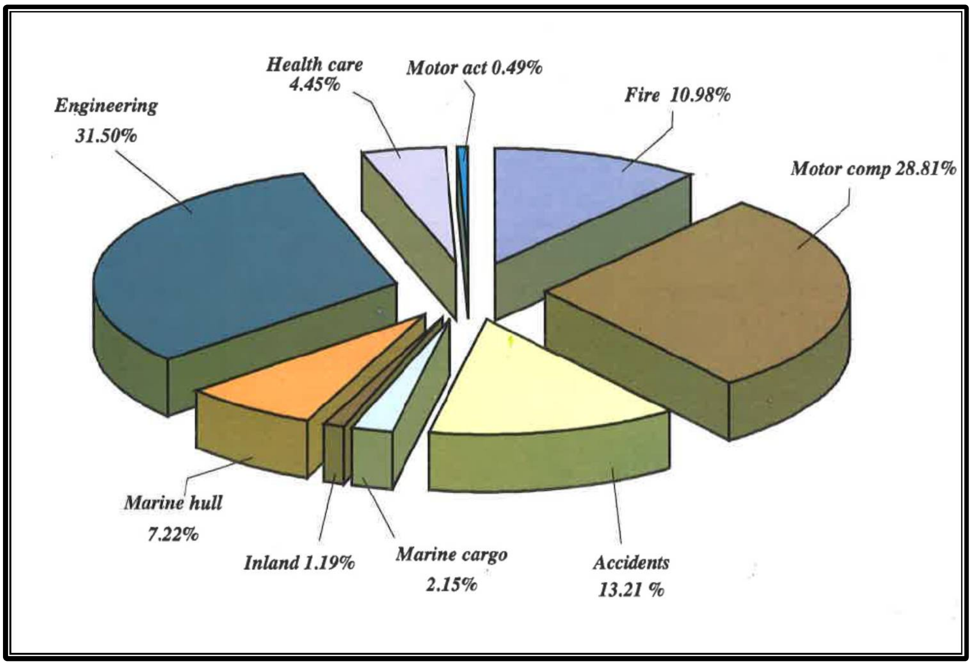
> You have 1,200 full time employed staff members and around 2,000 between tied agents and brokers that work for us. But what is already recorded as hired staff today…is 1,269 exactly, for accuracy purposes [laugh].

XYZ provides many types of general insurance coverage in different classes of Property & Liabilities such as Fire and Burglary, Cargo Marine, Inland Transportation, Marine Hull, Engineering, Compulsory Motor, Comprehensive Motor, and Miscellaneous Accidents such as Personal Accidents, Travel Insurance, and Fidelity. Figure 6.2 below summarizes its 2013 premiums distribution percentages on each of its insurance division types.

The company's 2013 total direct premiums reached 769.8 million Egyptian pounds and its investments that year reached 611 million Egyptian pounds in several areas like real estate, treasury bonds, common stock shares, and bank long-term deposits Figure 6.3 below summarize the change in investment amounts in every type in 2012 and 2013.

Consequently, the EFSA ranks it the second insurance company in the Egyptian insurance market in terms of investments and market share.

Figure 6.2 Distribution of Premiums for 2013[7]



XYZ deals with around 100,000 customers per month, and its insurance policies period varies from one month in the inland or cargo to 10 years in construction or engineering. It reinsures its direct insurance transactions with 130 reinsurance companies around the globe (e.g. Munich Re, Swiss Re), and it seeks international professional reserving actuarial experts (e.g. Milliman and/and BWCI actuarial group).

The company started its operations with 15 main branches around Egypt; at that time it provided all types of insurance services (life and non-life insurance). The company's operations were manual (e.g. journal entries, controlling, and invoices) and it had no problems with this system as its operations were easy to handle for staff. In 1979 the company's starting capital was 20 million Egyptian pounds. After 7 years (i.e. 1986) it started expanding its operations and reached 30 branches in 2012.

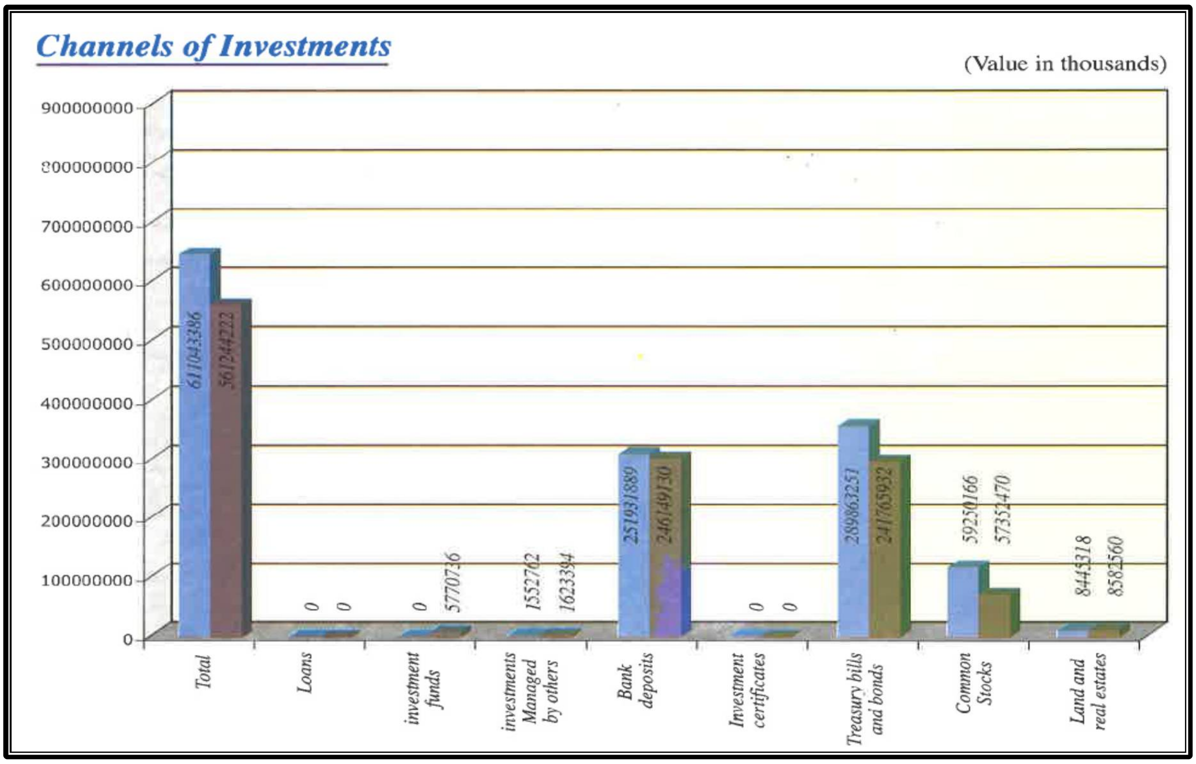
In addition to its 30 regional branches, XYZ has selling units and selling offices. Selling units are small units located in villages that sell more than one type of insurance policy. A selling office is a small office located in special places like car licences places or seaports. They sell only polices related to office places. Thus, if based in the seaport it sells marine

[7] XYZ: Annual Report 2013, page 9.

hull and cargo insurance only. Selling offices and units are under regional branch GMs and their sales are a part of regional branch sales. The internal audit GM clarified their numbers:

> We have around 150 offices and units that sell our polices...But what counts for us is the number of branches as the remaining are to be subsumed inside the branches.

Figure 6.3 Changes in Channels of Investment 2012/2013[8]



From 1980 to 1998 control over operations was by each department internally, and all files and related documentation was reviewed in the finance and investment department of the main office. The main review was a financial audit on accuracy, existence, and completeness. In 1998 the company initiated two departments on the control hierarchy. The first, the internal audit and inspection department, is responsible for all financial reviews of regional branches' operations. The second, collection follow up department, is responsible for reviewing collection processes and following up the cheques under-collection.

With its increased number of branches, offices, and selling units company top management introduced an IT system to tighten control over operations, decrease workloads on employees, and reduce time spent on reviewing regional branches' files, ultimately

[8] XYZ: Annual Report 2013, page 14.

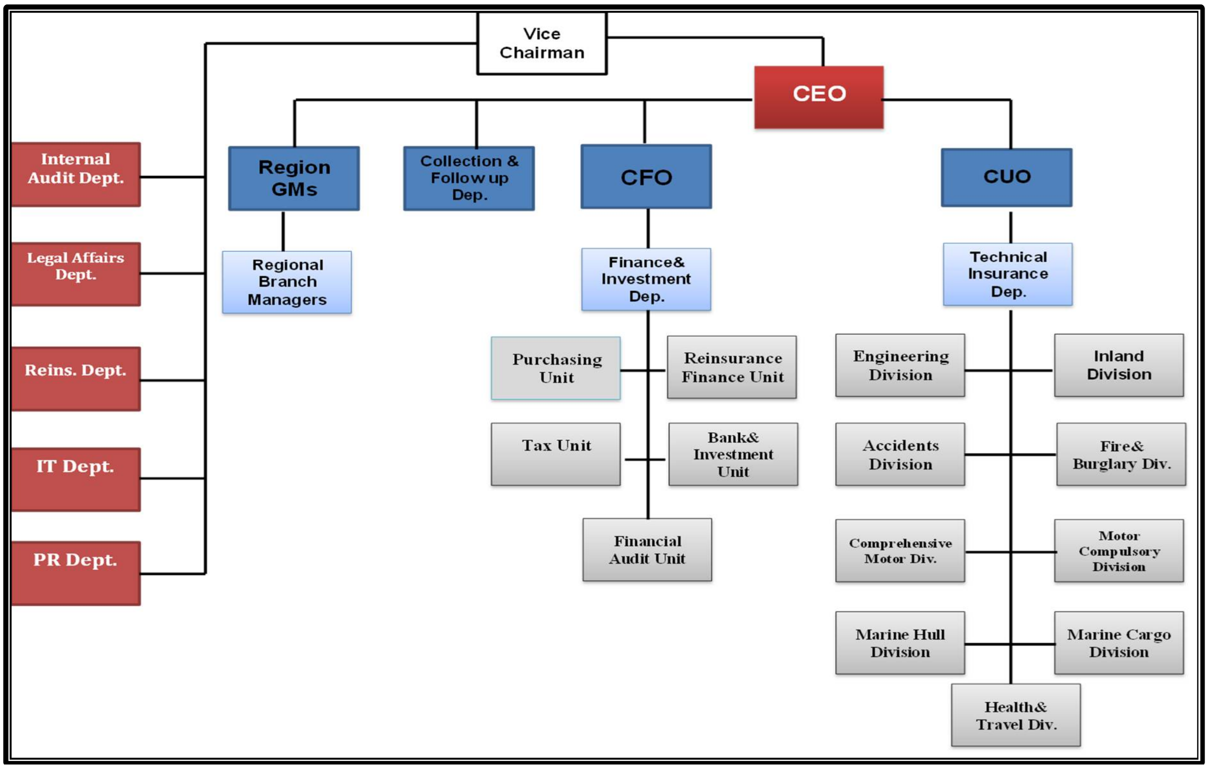
decreasing total costs. It started introducing the IT system in the late 1990s but even today the system is not totally capturing all company operations and experiences delays in updating data gathered from regional branches. As one of its accountants explained:

> The computerized system was installed by the late 1990s but system developments are still ongoing today. Even recently…we had to ask for the manual data from branches and departments, because the IT system is not always up to date.

Although XYZ implemented an IT system and made new departments, the company was still governed and controlled through a monologic control system based on financial control tools of control such as budgets and standard costing. Under this system the main recognized control is the hierarchy and achieving targets in both revenues and expenses. This monologic control system and the logics related to its formal and informal parts need exploring further (see sections 6.3 and 6.4).

In accordance to the old organizational chart (Pre-ERM), some departments under the Vice Chairman such as internal auditing and inspection, legal affairs, PR, IT, and reinsurance while others under the CEO. What follows the CEO directly is the Chief Financial Officer (CFO), who is the head of the finance and investment department, and the Chief Underwriting Officer (CUO), who is the head of technical insurance, regions' GMs, and collection follow up. Many sub-units are under both the CFO and the CUO. Units under the CFO's direct control and supervision are purchasing, reinsurance finance, tax, bank and investment, and financial audit. Units under the CUO are fire and burglary, engineering, comprehensive motor, motor compulsory, marine hull, inland, marine cargo, accidents, and health care. These departments and units are illustrated in Figure 6.4 below.

Figure 6.4 XYZ's Structure before RBMC



The above formal chart, however, is not always reflected in actual practice and the company's authority chain. In practice, all company's operations are headed by the CEO and his two followers (the CFO and CUO). The Vice Chairman mostly agrees with what they agree on, as they are the gatekeepers of the control system financially, technically, and managerially. The internal audit GM explains:

> In practice…everything is in the hand of the CEO and CFO along with the CUO, but in a polite way you can say there is a very high integration between them [Vice Chairman and CEO] which will not cause conflict as they all seek to maximize company profits [laughs]…So the discrepancy between them that you see on the chart…is not actually found in practice.

As XYZ works in the Egyptian insurance market, it is subject to many laws and regulations. It has a licence for insurance issuance in accordance to Law No.159 of 1981 and is subject to supervision and control Law No.10 of 1981. These two laws mean company operations are directly supervised by EISA and must be registered in the IFE.

In 2008, the EFSA issued Law No. 118 which means separating life insurance transactions from non-life transactions and that life transactions must have separate companies and Risk Based Supervision (RBS) in the Egyptian market. This was advised by the Western partner IAIS. Parallel to this the government purchased small shares percentages from most private sector companies as governmental investments. This gave governmental authorities like the Central Auditing Organization (CAO) authority to get inside these companies and review them formally as they are reviewing government investments.

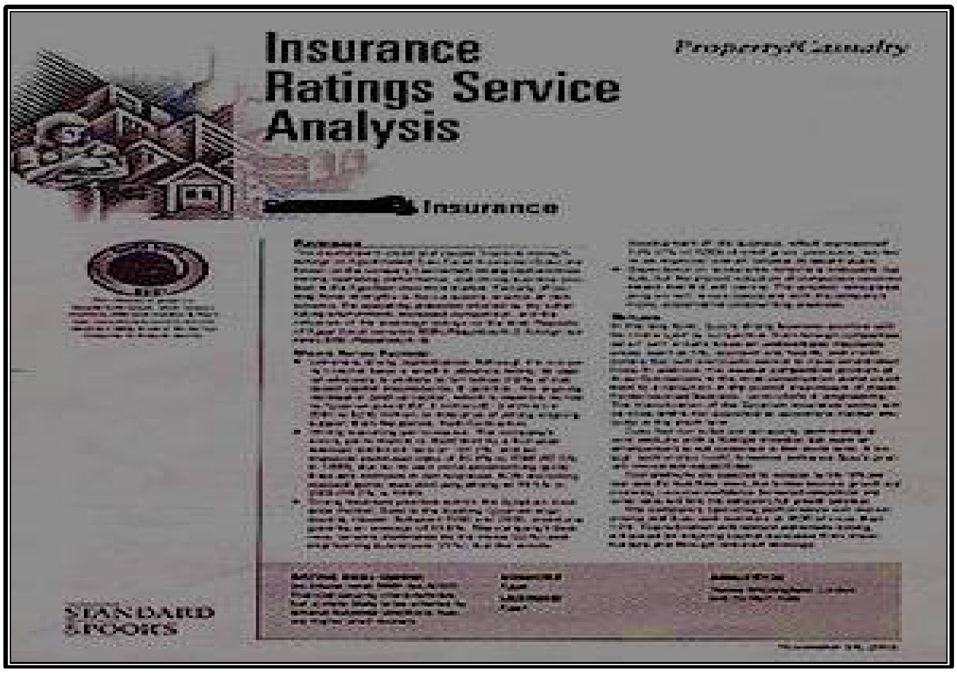
To summarize, until 2014 XYZ sold only non-life insurance policies, after life insurance transactions were separated into another company. Regarding supervision, XYZ is supervised by two governmental bodies – the EFSA and CAO. As a member of IFE the company must follow other IFE members' recommendations regarding prices and coverages as the IFE is directly connected to the EFSA. Hence, IFE director is the CEO of the EFSA, so the IFE's recommendations mostly relate to how companies fully comply with EFSA regulations and laws.

Finally, the company has a good international rating history. It was last assessed by Standard and Poor's Financial Rating (S&P's) as [A-] rate in 2010, which reflects extremely strong financial risk management along with a satisfactory operational and business risk profile. Nowadays, the company is not rated by any known international rating institutions, because it had to withdraw from S&P's rating because of its late implementation of ERM and RBMC. But at the time of data collection the company was retrieving a rating with S&P's or A.M.best – the biggest two names in the international rating of the insurance sector – after meeting with solvency II requirements. Figure 6.5 below is the company's 2010 certificate of rating. The next section moves into the company to explore and explain its formal control logic.

6.3 Formal Control Logic

This section unpacks the formal part of XYZ's control system to show how corporation logic is embedded in these formal practices and is the main source of legitimacy, authority, and identity. As an ideal type and one of the seven orders of institutional logics, corporation logic is rooted in the metaphor of corporation as a hierarchy. This metaphor has its source of legitimacy, authority, and identity. These sources represent references for individuals' understanding and actions in terms of what they feel to be right and wrong. In theoretical terms they are a basis for attention and strategy. Corporation logic's source of legitimacy is market position and the organization's prosperity. Its source of authority is the higher authorities in the hierarchical paradigm (i.e. board members and top management). Its source of identity is the bureaucratic roles and orders (Thornton, 2004; Thornton et al., 2005). Corporation logic represents status and power in the hierarchy and a basis for choosing appropriate strategies – for example, increasing the company's size and implementing product diversification (Thornton et al., 2012: 73).

Figure 6.5 XYZ's Rating Certificate[9]


Property/Casualty
Insurance Ratings Service Analysis
[redacted] Insurance
STANDARD &POOR'S

XYZ is controlled through a monologic MCS. By monologic, I mean traditional risk averse systems that combine formalities and informalities as a way of life (see sections 2.2 and 2.3). The formal part of this system is divided into two connected cycles – policies issuance and collection (revenue cycle) and claims and other payments (expenditure cycle). These two cycles are mainly financially orientated, as an internal auditor explains:

> Approximately 90% of the controls…in the company are financially orientated…[control] is made through physical counts of regional branches' accounts and actual policy issuance…we trace and follow up the policy from its issuance to its closure.

Monologic control is not just about financial targets, budgets, and variance analysis as this system also has technical reviews over underwriters and previewers. However, most work involves following budget targets, as an internal auditor highlighted:

> Most of my work deals with the financial aspects…we make technical or underwriting reviews, but mainly financial reviews represent the majority.

[9] The company name was deleted from the certificate to preserve its anonymity.

The next two subsections discuss the two control cycles' procedures and tools by showing how this system is enacted through corporate logic. Having corporate logic instantiated as the main logic relates to the control system's formalities, including people's cognitions and sense making as a source of hierarchy, bureaucratic roles, company prosperity and growth, and market position (Thornton et al., 2012). The first subsequent subsection discusses organizational culture – a main means of exposing employees to generally accepted practices and cognitions (Dimaggio and Powell, 1983).

6.3.1 The Issuance and Collection Control Cycle

This cycle starts by insurance experts (technical department) identifying budget sales benchmarks and targets. Insurance experts are in either underwriting, reinsurance, or actuarial departments. Actuarial experts and underwriters are responsible for determining targets for each insurance division (e.g. car insurance, marine hull) for the next year, which are then delivered to the budgeting unit. Accountants in this unit start preparing the company's master budget then they identify how much each regional branch should bear from this sales burden and how much general and administrative expenses should be paid in the coming year. A budgeting unit manager noted that

> The decision about limits and targets for each insurance division is not mine. This is top management's decision. They set the limits and I make my analysis and budgets based on their decisions...They take my opinion, but…other departments' GMs are more involved in such decisions [namely] technical department for each insurance division, because the age and place of the insured properties are aspects that must be in while you take such decisions.

This quote shows that corporation logic is embedded and enacted in the budgetary process as a main source of both authority and identity. Hence, preparing the budgets involves the hierarchy and top management as a source of power and bureaucracy as the main source of identity.

Budgets and targets represent more than sources of identity and authority as they are an important aspect of employees' day to day processes, talks, and life inside XYZ. This was apparent in their interest in following up how the budget is prepared and sent to them as everything is assessed based on these numbers, including their salaries and performance measurement. Clearly, the budgets and financial targets are embedded material practice(s) that have their logic which the people adhere to and live with in their daily activities (Thornton and Ocasio, 2008; Thornton et al., 2012). An insurance producer explained how

> budgets are prepared…before the beginning of the year, then they are agreed on and accredited…then we receive them, but before they come we know… that our sales target for this year are a certain amount, say a million, then your next year will be 110% of this year's sales, because the company's normal growth rate is 10%, and the ambitious rate of growth ranges from 15% to 20%. So next year's will be between 115% to 120% of this year's sales.

The budgets received by regional branch managers contain two types of targets: "targeted" and "ambitious". The former represent targets that regional branch managers must fulfil to get the agreed on salaries; if they are not achieved branch managers must write a detailed report to the main office explaining this. If top management accepts these reasons the branch's employees get their normal salaries; if not, the employees get a percentage of their salaries equal to the achieved targets. As the budgeting unit manager said:

> We have two types of targets…one is the ordinary target which we call targeted and the other is the ambitious target...the targeted is not negotiable, but if you haven't I will deduct this percentage from you.

One of the internal auditors added:

> Regarding ambitious [targets]…you get more bonuses and share of profit if you achieve these…but they are not compulsory.

Budget targets are also followed up by the internal audit department who monitor target achievements on quarterly bases. If regional branch managers have not achieved the target they must report these reasons to the internal audit team. Budgets and their financial control are thus key for protecting XYZ and its activities, as the company gets its power from corporate logic as a source of identity (Thornton et al., 2005). An internal auditor explained:

> My job regarding budgets, I…follow up their issuances [sales] and make a variance analysis of what has actually been achieved by each branch. This is made at the end of each quarter...[then] I prepare a report on how much is achieved from the targeted sales in the budget.

Sales transactions are done mainly in regional branches and initiated by insurance producers (sales team) or independent brokers. The issuance cycle is very complex and contains much interdisciplinary work between many company departments. This interdisciplinary nature between departments and regional branches increases the centrality level of this logic at all levels of analysis. Hence, it increases resources dependency and individual ties between members (Besharov and Smith, 2014).

Sales cycles start when an insurance producer agrees with customers on the property to be insured (e.g. car, factory, marine hull); at this point, the producer and underwriter's price limit has been determined by the main office insurance experts. If the customer agrees on the price, the issuance starts; if the customer had a better offer from a competitor and a discount is needed to secure the transaction, it must be approved by the technical insurance experts. A regional branch manager explained:

> The technical departments in the main office are responsible for…new policies' issuances and pricing process…So I have stated prices on the IT system. If I need any discount I must call the technical department in the main office and explain why.

Although underwriters seemingly control policy pricing, they are not totally free in determining the sales price as they have certain limits. These limits are predetermined and agreed on with reinsurance companies. If the underwriters try to get the price lower than this limit it means losing reinsurers' support or increased payments to the reinsurer. Again, these approvals show the corporation's logics as a source of bureaucracy throughout control cycles, not only in the budgetary processes. One accountant clarified:

> The company and underwriters control…the pricing process. They are not free to make prices. They represent price takers more than makers. They take the minimum accepted prices from the reinsurer and they must work with it or they will lose their agreements.

The company has compulsory discounts for existing customers who show loyalty and/or have zero-claims. Such discounts are monitored by internal auditors in the main office and affect the amount to be collected from the customer as a premium, though it may have some errors or frauds. An internal auditor explained:

> I check all the discounts given to customers and…if I find a customer has taken discounts as s/he had a car accident and claimed last year this represents a violation that must be reported…When I report this to the technical department at first they respond…it was an error, or yes the customer had an accident but s/he refused to collect his/her claim to get the benefit of paying this discounted premium as the claim amount was less than the discount s/he will get.

The issuance process is full of bureaucracy as a main tool of control, as the process includes many steps, approvals, and accreditations. The underwriter initially makes a full preview of the property (e.g. car, factory), then the photos the regional branch underwriter takes are attached with his/her report to get approval from the branch's regional manager.

The policy is then printed and forwarded to the regional branch custodian, who then arranges the payment method with the customer. If the customer pays in cash s/he will receive the policy and the custodian issues a collection slip called a "supply slip". This can then be used by the insurance producer to claim their commission. An accountant noted:

> If I get cash sales, I hand over the policy, I make…a collection slip, or it is called here a supply slip. This slip is made on the IT system…as this is done, the insurance policy is closed as collected.

Supply slips cannot be changed once they are saved on the IT system. To amend them, an IT GM approval must be obtained to cancel the old then issue the new slip (the IT system will not permit two slips for the same policy). This control mechanism represents an embedded practice that reflects how corporate logic is a moving force that secures collected money, is proactive, and leaves little space for fraud or error in money collection. An internal audit GM added:

> A supply slip…is made on the IT system and once it is made it cannot be amended until you get approval from the IT…This automatic slip alleviated a big risk, because if the slip is made manually the employee who made the original document will keep the original as evidence and send a photocopy to the concerned departments, which leaves room for changing the number…the point is that you should not leave a room for any fraud.

Credit sales must be approved by the regional branch GM before agreeing to sell deferred sales transactions. When these are approved the cheques customers issue are kept with the custodian and sent in due course to the bank for collection. These cheques under-collection are reviewed by the internal audit team on a regular basis. Also, they are monitored and reviewed by the collection follow up department, whose work comes before the internal audit team start monitoring as the former, are responsible for approvals and follow ups but the internal audit team is responsible for controls over the checks. Both are complementary for controlling and reviewing credit sales processes. An accountant explained:

> I want to make it clear for you: collection follow up work is not about control: it follows up and monitors collection processes. Formal responsibility for controlling and monitoring of financial transactions is with the internal audit team.

Controls over the issuance and collection cycle clearly represent a centralized bureaucratic hierarchical system of control. This is totally consistent with previous definitions of corporate logic as a source of legitimacy, authority, and identity. Moreover, the cognition of the hierarchy and top management as a source of power to make the company profit and secure market positions is also clearly apparent when using supply slips, making approval credit sales, and following budgets (Thornton et al., 2012).

6.3.2 Claims and Other Payments Control Cycle

Similar corporation logic permeates this control cycle. As will be clarified, certain revenue tools like supply slips are used to confirm collection before commission payments for insurance producers or claims payments for customers, but claims and other payments actually form two sub-cycles. Both are ultimately connected as they go through the finance and investment department in the financial audit unit, which reviews documentation, approvals, and previews before approving payment. The payment method differs though as, unlike other payments, claims are paid directly after CFO approval through cheques to customers and the treasury is not involved. A treasurer clarified:

> The treasury has no relationship with claims. Claims are paid through cheques from the finance and investment GM. So its cycle, which I'm not part of, comes from the technical department, to the claims audit department, to the payment unit in the finance and investment department, to the financial audit unit in the same department then to the general manager and CFO who review, sign, and stamp as approved. The cheque is then delivered to the customer who goes to the bank.

Claim review steps and procedures are similar throughout all insurance divisions. As a claim review manager clarified (see quote below), what differs is only the technical experts involved in reviewing the previews of properties to be claimed. From these early observations and quotes, corporation logic is apparent as the bureaucracy is the main source of control and the hierarchy is the main source of power in the control chain.

> The claim review files and control cycle is the same in almost all types of insurance, the procedures that are followed to control the claim payments are the same, and the only difference is…the technical insurance expert involved.

The claims control cycle begins when a customer visits a regional branch to report that the property under contract had an accident (e.g. car crash). Underwriters meet the customer and give him/her a specified form (claim payment request) to complete. The first section addresses customer and policy details. The second describes the accident (if it happened more than three days ago the customer will not be paid, which is an insurance policy condition) and the property place. This is crucial, because the property damaged may be movable like cars or under a place's broader insurance policy, like a warehouse or factory. The last section concerns documentation: a copy of the customer's national ID, police report about the accident, valid licence for the property (whether a car or a factory), and the branch custodian's assurance that the policy's full premium has been paid must be attached with the request. Claim review manager clarified:

> Customers must inform me within 72 hours from the accident time or s/he cannot claim…In the payment request the customer must clearly state the place of the property if it is movable like a marine hull, or clarify the damaged property if it is a part of many properties insured under one policy.

Once the regional branch underwriter receives the claim request, a preview date and preview conditions are arranged with the customer. The preview report is one of two types. First, a total loss report, where the property is totally spoiled and the customer must get the full claim agreed on in the policy. Secondly, a partial claim payment, where part of the property under contract is damaged. With the former, little technical and financial reviews are made after checking the damage report and the cheque is issued. With the latter, the customer is paid his/her cheque on completion of the repairs but only on providing evidence for all work from the preview until the company gets all invoices for repairs. An underwriter commented:

> The customer must pay the full repair money then gives the company the invoices with the claim file…to get refunded through a cheque.

When the invoices are attached to the claim file, these are sent to the main office insurance experts who compare the papers with the property's technical conditions when the policy was made. An internal auditor summarizes what happens once the file is forwarded to the finance and investment department.

> Each division has its technical department that undertakes technical reviews. These involve many steps before actual payment.

Next the claim file goes from the technical unit concerned to the finance and investment financial audit unit, which shares certain information with the internal audit team to double check and thus ensure the customer claiming has paid all due premiums and to review the amounts and invoices to be paid to the customer. The "supply slip" plays an important role in this process. Before the current process some claims were paid without correlating premiums. But nowadays, as the internal audit GM highlights below, if the supply slip is attached to the policy on the system then the premium has been collected; if not, the premium has not yet been collected.

> …some customers claim without having paid the full premiums due…the missing link on the IT system as the follow up department responsible for collecting cheques from customers is not connected to the claim department, so when the claims team opens the profile…it is not showing whether this customer has paid the premiums to us or not. This is now resolved through the supply slip. If the slip is attached the customer has paid but if not it has not been paid.

The company has other sources of expenditure besides claim payments like general and administrative expenses, salaries, shares of profits, bonuses, sales incentives, and grants. These expenditures are reviewed by the internal audit department who processes them through many steps in the finance and investment department and its built-in financial audit unit that reviews every transaction for proper accreditation, accuracy, competence, and invoices before releasing the file to be paid. As an accountant highlights below, most of these expenditures are treated the same as they are fixed amounts or fixed percentages that give different monetary amounts.

> We have feasts grants, schools grants, salaries, share of company profits, and bonuses…these are fixed rates that give different financial amounts…[so] you have a fixed rate to be multiplied by your commitment to the company…seniority increases the rate that is multiplied by the salary, so the newly employed will take 100% or a full month at the end of the year, five years seniority take 150% or one and a half months at the end of the year, and so on.

As clarified above, most payments are similar whatever the source as they move along the same controlling cycle, but one exception needs more steps. This exception as explained by an accountant below is the commissions paid to the hired producers as they must match producers' targeted sales. Hence, as the producers get fixed salaries each month they are committed to sell a certain amount of policies. They get no commission on this commitment – only on what exceeds it.

> The hired producers are governed by a sales targets, which are predetermined in the company budget and is why I'm giving him a salary. Whatever the commission type or to whom, their papers must start from the insurance

> producers department then go to the finance and investment department to go through the accounting cycle of recording, review, and accreditations, before finally being transferred to me for payment.

The insurance production department follows up producers' targets and commissions. No producer can request his/her commission until s/he gets clearance and approval letters from the insurance production GM or his vice. The producers' targets are assessed weekly and monthly but, as an Insurance production vice manager clarifies below, formal target reports are issued quarterly like the budget targets, along with producer assessments.

> I monitor his moves through target achievements but will not interfere until he gets lazy in achieving his contracted targets…I start by sending him warnings saying you are far from achieving your target so be careful…this is done every quarter if he is not achieving quarterly targets…for sure I will not punish him until the year ends – when we have the final assessment of department employees – but the warning is every quarter.

He added:

> My monitoring report assesses producers' sales and the standards are fixed for everyone. If they get less than 50% of their target they get a weak grade; if it's less than 67% this is good; if it's less than 91% this is very good; and more than 91% is excellent. Those who get good to average generally can't be fired at the end of the year. They stay with me but will not be treated like the excellent ones, though there is also no cutting of fixed rights so they get their salary in full…Those excellent ones who get more than 98% of their stated target get an additional incentive bonus.

After finalizing the processes in the finance and investment department the payments are made via the payment treasury. Here, as a treasurer explains below, all steps, signatures, and accreditations are re-reviewed. If any step is missed the file is retuned for review (e.g. payment not done).

> When I receive payment orders I either pay if the papers and signatures are proper or I return them if there is a comment on them, which could be that something is suspended on the IT system and they are authorizing it, or there is something not right such as differences in the numbers of the insurance producers and the finance department, so commission should not be paid. At that point, the papers return to start their cycle again.

6.4 Informal Control Logics

Clearly, the company has a well-defined centralized bureaucratic system that connects the 30 regional branches and creates a very tight control system that seeks minimum errors and maximum profits. However, the informal social part of this system has not yet been evident so this section clarifies the blend between community and family logics in relation to the people's informal actions inside XYZ. There is a blend between these two logics as individuals in the company combine the two logics sources. For example, some individuals use a source of identity from one logic and mix it with sources of authority from another (Binder, 2007). Some scholars discuss this under the hybrid organizations that blend or combine norms and symbols from more than one institutional order (Battilana and Dorado, 2010; Pache and Santos, 2013a, 2013b; van den Broek et al., 2014).

Regarding institutional logics ideal types (Thornton et al., 2012: 73), family as a logic is rooted in the metaphor of family as a firm, while community logic is rooted in the metaphor of common boundaries between members. For these logics, these metaphors represent sources of legitimacy, authority, and identity. Family logic's source of legitimacy is unconditional family loyalty. Its source of authority is patriarchal domination, and its source of identity is family reputation. Community logic's source of legitimacy is unity of will, belief in trust, and reciprocity. Its source of authority is commitment to community values and ideologies, and its source of identity is emotional connection, ego-satisfaction, and reputation. This section clarifies which of these sources are embedded in the informal practices of XYZ's controls.

Initially, claim payments are limited to the main office (as discussed in section 6.3.2), and the only authority responsible for issuing claims cheques to customer is the finance and investment department. This procedure was introduced because top management wanted to decrease social relations and biases towards friends, family members, and neighbours. Accordingly, they believed that if claims are assessed and paid regionally, most regional branch team members would be from the same city or village, so social relations would interfere with professional work, which company top management wants to decrease. An insurance producer explained:

> Having a central claim review department in the main office reviewing all insurance divisions' claims is better than doing this in regional branches. You know I hate bureaucracy and want to limit constraints, but this claim assessment procedure will alleviate preferential treatment for customers because of social relations, so it's absolutely better and more professional.

This may seem like corporation logic prevails and that social relations are largely outside the claim cycle but observations suggest this is not happening. Sometimes certain general managers intervene to make informal arrangements in some claims if they relate to relatives, friends, or politicians. As an internal auditor who dislikes such interferences and exceptions in paying claims said, social influences still exist.

> A strange thing is that some customers haven't paid instalments for two or three years but we've paid them claims and issued new policies for them while old ones haven't been collected. Also, if they made a new claim we would pay…The system catches these things, as I got this information from the IT system, but the problem is that top management make exceptions for this and that, as s/he may be a friend, family member, or a politician.

This conception represents a clear source of authority in community logic through its commitment towards the community but also basic company, Egyptian and even other LDCs' values whereby one can pay politicians or friends undeserved claims. This differs from Western conceptions that usually see this as unethical or even illegal. In LDCs and Egyptian culture, this is common and part of communities' common sense. Thus, logicians suggest exploring other cultures to understand how these ideal types are implicated in their practices (Thornton and Ocasio, 2008; Thornton et al., 2012).

People's sense making and actions towards their company and resources are embedded in social relations and informal arrangements. These pervade company transactions and departments. In most instances, it is accepted to override the formal system as long as the company will not lose money. For example, when the internal audit team identifies errors or delays in recording or cheque collection while making physical counts, such violations should be reported immediately. If this does not happen, they give colleagues a period of grace to make it right before reporting them. An internal auditor explained:

> When I go to a regional branch, there's a big bulk of records by the accountant or treasurer. If I ask for something and there is a delay, I give an excuse because I must feel their pain, not increase it.

Thus, community logic's source of legitimacy is the interactions between the controllers and controlled. Community members are trusted not to harm the overall community. This trust becomes the prevailing trait when mixed with family relations and being a relative, neighbour, friend, or having another connection. These family issues affect employees' social life in the company as their personal life and emotions are involved in the company and affect their productivity. Members must have feelings for each other. An internal audit GM mentioned this.

> I must look for personal situations surrounding my employees…so if his father or mother passed away and he was absent for several days I must feel their pain because this affects productivity and loyalty both to me and the workplace.

She added:

> We are a family, and they are like my children, brothers and sisters…I know their family and relatives before they are hired because honesty and integrity is very important…If we talk about formalities and informalities many things change from what should be formally, because we as Egyptians hate rules [Laugh]. I am the best example [long and continual laughing].

The same principles about feelings for others and rules extend from company employees to customers. As noted, customers' must report accidents within 72 hours or lose their claim. A claim review manager, however, reveals what actually happens.

> What is written on paper is not what will happen, because you must feel others' suffering. For example, if the customer has a serious situation that prevented him/her from reporting the accident within 72 hours such as their wife, husband, or kid being badly injured or even dying in the accident, what should I do? I must accept decent reasons like these, which opens the door for many similar exceptions…you are in Egypt not the UK [laughs].

In addition, the monologic control system plays a big part in informality, as job titles and descriptions are not important at all to managers or even employees. As commented by one of the internal auditors:

> It is just a name of my position, and these titles don't have a specific job description. However, something may be written down, but in the end all of us work in the department and share the same jobs.

Another internal auditor added:

> …some employees' contracts are in a unit they don't work in at all so they've no job title. You may find that an employee's contract is written as an auditor in the financial audit unit but their actual work is in the tax unit. So you may be guilty of an error you haven't made or there may be a fraud you are not accountable for by law as you are not working there formally.

Informalities in the monologic control system affects the way controllers move and take notes in any regional branch, though this also depends on how much this regional branch will accept this to avoid making him/her angry. This action especially represents a source of identity in the community logic, as the ego and emotional connections are preserved throughout the control actions of internal auditors. In other words, the formal controls concept and sense making is understood by some managers as doubting integrity and loyalty to the company. An internal auditor clarified:

> We had many problems, refusals and harsh reactions from branch managers…we try to convince them that we are not here because of frauds…but because of errors that may occur. Honestly, people here don't steal. But we make errors so we should accept that our work is reviewed. I don't doubt their integrity but do acknowledge that humans may make errors. These informalities represent challenges that we face every day and need to get over.

Although the company has a very well organized, rigid bureaucratic control system, employees and middle managers make it run smoothly, and they use social relations more than anything else to do this. When asked about issues with the company and its controls they defend the company despite not liking aspects of it. They all feel it is their home and more than a place of work. A budgeting unit manager noted:

> I started in the company about 23 years ago. I'm fully loyal to it. Even though certain aspects frustrate me, if I notice problems I feel like it's one of my kids who's made a mistake so I try to solve the situation...I criticize it, but I won't accept bad talk about it and will protect its reputation.

Company loyalty had been mentioned more than anything else, and most employees have been raised in the company from when they finished their bachelor or high school education. Others transferred from other companies to join this community. In a sense this community and its social interactions make the company a popular place to work in the Egyptian market. Also, not one employee has left it after being hired. Insurance producers GM commented.

> We have much loyalty to the company. Nobody has worked here then left for another company. On the contrary, this place attracts people from the outside. You can see that all transactions and processes are like a friendship or family relations…as you saw, I'm not dealing with them like they're employees and I'm a manager. We are a family and friends. We spend more time here than with our families at home.

This approach and the family and community logics' effects are a source of legitimacy, authority, and power, offering unique insights into many issues. Within these social relations regional branch managers use seniority and power to help employees more than control them, as a regional branch manager explained.

> We represent a family living together…the work conditions should be made to go smooth…[and] my role is not to supervise and control…but to help…especially as, I'm having more seniority, authority, and power. This will be returned to me as loyalty, care…and disciplined work…it's all because of family relations, not a formal system…These employees work more than anyone, even me…producers go in the…burning sun every day to sell some policies, while I'm sitting here in the air conditioning drinking my coffee. If I talk to or treat them harshly this will not work. I must appreciate their effort in achieving the [budget] targets.

Social relations and informalities pervade internal company operations. For example, as highlighted by an accountant below, these affect insurance producers' policies balance physical counts and deficit settlements, as it has more tolerance than it should be, when the general managers deal with it.

> When the policy or the money must be returned to me, sure there is some infringement, but it is not addressed explicitly. I must make it implicit, between me and the producer, because I know some producers personally and know their families…You may have some good [excuses] sometimes such as the customer travelling abroad, market conditions not being very good, or customers having liquidity problems.

The last week of observation revealed that informalities are extended to the relationship between insurance producers and the customer, and/or custodian customer relations when the money is collected or the instalment given or renewed. This is very different from what the accountants initially stated about informalities happening internally only. An accountant explains this.

> I may ask the customer to make the situation appear better in front of my superiors. I say…help me so I can help you, and I always ask for or collect old cheques before issuing new ones…you can't be so harsh with your customers, or they will leave you and go to another company…Rules are rules, but…honestly sometimes they can be broken depending on who the customer is and how much their operations with us are.

Another accountant added below that informalities and social relations like friendship are important in collecting cheques under-collection from customers as they make the process easier than using formal channels. As formalities are hated by most Egyptians, these complicate rather than resolve the situation.

> When I have an existing customer who I know well and have a good history with, like the one I was talking with on the phone when you came in, I talk to him like a friend, not a customer. Friendship relations work better than formal ones.

Regarding budgets, the budgeting unit manager and internal auditors stressed how they follow up targets on the clock. Although this actually happens, budget targets are negotiable from the beginning so are not totally imposed as stated by the budgeting unit manager. A regional branch's accountant raised this issue.

> In short, you get the total budgeted sales for the coming year then you agree with the budgeting department how you will divide them. Everything is negotiable.

A regional branch manager added:

> Yes they [budgeting team] set the targets but I have reasons for accepting or not accepting them. I deal with the customers, not them…they understand this point well.

The very surprising situation I faced in September 2014 involved meeting an EFSA officer in the company. He was not making a surprise audit as he should each quarter, though, as he called the CFO beforehand because he was visiting a friend. When I asked about this, an accountant said (see quote below) the officer was a colleague at university so he would not come without telling him as this would be rude and could affect their friendship and family relations. Also, some accountants revealed that the external auditor does not come at all at the year's end to make physical counts.

> It will shock you that the EFSA is working with love and personal relations. Top management members here, especially the CFO, are friends and may even have family relationships with higher executives there. Most things in Egypt work like this, even the underwriting.

To summarize, the company's informal control practices and social relations permeate all levels of control from governmental controls over the company to micro level control cycles inside the company. Overriding formalities is a way of life, but this informality is intertwined with much loyalty to the place. This generates trust generally and support of the company's main objective of maximizing profits. Most members explicitly and implicitly express how the company is theirs, and they do not work in the company but live in it more than their own homes. Moreover, they get money from it for their families so it must work properly**.** Everyone clearly knows everyone else in the company, and there is great friendship and respect among staff members. Even the security personnel downstairs can go upstairs to any GM or even the CEO's office directly, if they require. Thus, formalities of positions are absent. Instead, people feel others' pains and give reasons for delays and bad situations, and the company's controls and monitoring have specific dynamics and dimensions inside XYZ (e.g. delayed reporting by internal auditors).

6.5 Monologic Control Logics' Coexistence

This section clarifies how the aforementioned corporation, family, and community logics are instantiated. Section 3.5.1 explained that logics instantiation depends on two main drivers: centrality and compatibility. Centrality represents the degree to which the logic affects the organization's core operations, while compatibility concerns the consistency between the logic as a source of values, beliefs, and actions (Besharov and Smith, 2014). Logic centrality increases if it affects core operations in the MCS but is low if it is peripheral and not salient. Compatibility increases when the logic is consistent with actors' beliefs and is embedded in their actions, but it decreases when it is not fully embedded in practices or is explicitly or implicitly resisted by the actors.

Applying centrality and compatibility levels to practice is not easy but is possible. Besharov and Smith (2014) identified operational dynamics, or what they call drivers, of centrality and compatibility (which were summarized in Table 3.1). The theoretical model previously highlighted that compatibility levels are directly affected by the numbers of professional or supervisory institutions that deal with the organization, its hiring, its and socialization processes. For example, if the company has good socialization, no logics conflict is expected when incorporating new members. Using these dynamics, section 6.5.1 discusses the compatibility level inside XYZ. Centrality levels are directly affected by the organization's power structure – basically, the type of management centralized, fragmented. It is also affected by mission and strategy, resource dependence between organizational departments, and adherence to certain logics. Section 6.5.2 deploys these dynamics on the case company and analyzes its level of centrality.

6.5.1 Logics Compatibility

Section 6.2 identified only three governmental bodies as dealing directly with XYZ and supervising their day to day operations: EFSA, CAO, and IFE. These three authorities organize, monitor, and control the Egyptian insurance market and specifically protect shareholders' rights and customers' claims commitments. This ensures these governmental institutions' objectives and goals do not affect the high compatibility between the company's internal logics so that it remains profitable, committed to its customers and punctual in paying liabilities.

The company's formal and informal logics construct staff cognitions regarding the company's main objectives, especially growing and sustaining good profits and market share percentages. They also help maintain its good market reputation, which is translated in managers' and employees' minds as paying claims due the company as its main product sells feelings of safety to customers, who get these only by paying due claims (hence reinforcing market reputation). Despite this, some managers and/or staff seek different procedures to reach the same objective (e.g. internal auditors, insurance producers) but high compatibility levels between logics are achieved via common goals not common methods or techniques for achieving different goals (Besharov and Smith, 2014).

Even the review procedures of these governmental institutions and organizations are not totally different from what XYZ's internal audit and inspection department do. As an internal auditor explained, they concentrate on financial aspects of the control system embedded in the company.

> Mainly most of the CAO auditors' interests are the common practices that we seek and do.

Besides the Egyptian governmental institutions, reinsurance companies affect company aspects such as pricing processes of the issued policies and commitments to paying claims on reinsured policies. As clarified by a reinsurance officer below, Western partners are mainly interested in getting profitable low risky transactions from the company. As they get these, they do not interfere in internal processes of control.

> Let's be honest, you can say that reinsurers are pressuring or not pressuring, but they need profits from your transactions, as you want to make them from the same transactions. So where is the pressure? Both of you want to profit from the same transactions.

Reinsurers seek profitable transactions with XYZ so imposing any new logics must contribute to this. National and international institutions and companies, and professional and practical bodies have direct relationships with each other and with XYZ, and their objectives do not contradict the company's monologic controls that give high compatibility between formal and informal logics. What increases such compatibility is that XYZ's monologic MCS involves many interdisciplinary transactions so departments depend on each other and deal with each other daily. Also, individual and community ties between people at the micro level are very high, especially when the informal logics eclipse the formal logics.

As insurance producers have explained, the company has a “qualifying program” that offers trainees hiring and socialization training for six months; after finishing it, the company hires trainees who pass the exam and personal interviews. This training and socialization program increases compatibility levels because trainees are socialized with the company’s existing logics before being formally hired.

> The company has a qualifying program that develops trainees over six months, then we determine which trainees will be formally hired: you know, who we feel are clever and can cope with our environment.

6.5.2 Logics Centrality

Formal and informal logics penetrate core MCS activities at all levels of analysis (institutional, organizational, and individual). Hence, top management, middle managers, and lower level employees share and agree on the main strategy, while resource dependency between departments in the main office and regional branches increases centrality. Employees and middle managers therefore adhere to both formal and informal logics mostly equally in their everyday transactions. At the organizational level, sometimes informality centrality decreases when the main moving logic is one of formal control. This does not last long, though, as managers must cope with the main logic’s multiplicity that surrounds the company’s everyday operations to maintain connections with lower levels, which returns as back to high centrality of both formal and informal control logics.

Consequently, XYZ’s monologic MCS is a corporate logic that coexists with family and community logics and forms the company’s “social corporate culture”. This combines formalities and informalities as a way of life internalized inside XYZ, and this logic combination’s central driver is profit and saving money as staff feel it is their money. Managerial decisions and orders are absorbed then manoeuvres made accordingly but these must not affect the company’s profit or money collected and paid.

Social relations and agreed corporate goals produce what Besharov and Smith (2014) call “Aligned Organizations”. These operations and logics produce minimum conflict between actors in daily operations as the logics are mutually compatible and reciprocally or collectively form the organization’s core activities. In more theoretical terms:

> Members lack a clear indication of which logic dominates. However, because compatibility is also high in aligned organizations, the logics imply

> consistent organizational goals. As a result, although multiple logics are represented internally with no clear hierarchy between them, organizational decisions do not present either/or choices. Conflict is therefore minimal.
>
> (Besharov and Smith, 2014: 373).

6.6 Chapter Summary

This chapter has explored the monologic MCS that existed in XYZ Pre-ERM implementation, and it described and unpacked related coexisting logics. (Chapter 7 examines ERM transplantation, pressures, and the logics related to ERM's implementation in more detail.) The chapter also described the organization's background then relevant governmental organizing authorities and institutions, including their main interventions in company operations and how these have affected XYZ's monologic MCS.

Sections 6.3 and 6.4 explored and clarified XYZ's monologic control logics. The former concentrated on the formal control logic, which reflected how the corporate logic represents a source of hierarchy, bureaucratic roles, company prosperity, and growth, as well as market position and organizational culture. The latter concentrated on aspects of XYZ's monologic controls and how informal controls are blends of the family and community logics that formulate informal social interactions. Such interactions unify beliefs, will, trust, commitment to common values and ideology, emotional connections, and community reputation.

The chapter then illustrated how formal and informal instantiations for logic multiplicity produce and sustain minimum conflict through the centrality and compatibility of the three logics concerned. Mobilizing centrality and compatibility concepts demonstrated how XYZ represents aligned organization. In these, all the logics' related monologic controls are equally available and accessible and active for employees and managers. This, in return, gives coexistence and harmonization between formal and informal aspects of controls as a way of life.

Chapter 7 Logic of ERM Being Diffused and Practised

7.1 Introduction

The preceding chapter outlined XYZ's monologic control logics and their coexistence. This chapter clarifies how imposing ERM produced heterogeneity and complexity in XYZ. Section 7.2 discusses this process and addresses the pressures that forced XYZ to implement ERM, particularly how Western pressures changed staff members' cognitions through the governance logic (see section 7.2.1). It then considers how the company restructured to suit ERM requirements by changing control symbols and sources of authority (see section 7.2.2).

Next, the chapter clarifies how related ERM logic produced heterogeneity and complexity in XYZ (see section 7.3). Heterogeneity and complexity is explained by showing how ERM produced new roles, cognitions, and communications through its risk laden control tools and practices. Institutional complexity also caused lost identities at the micro level because of massive changes in mundane control practices such as underwriting, reserving, budgeting, and pricing. Finally, section 7.5 describes and unpacks the new imposed logic's centrality and compatibility, especially how it represents high centrality to company employees and low compatibility with the old coexisting logics – the latter producing a "Contested**"** organization whereby extensive conflict exists between logics (Besharov and Smith, 2014).

The chapter is organized as follows. Section 2 describes how ERM was imposed on XYZ and the company's restructuring to comply with ERM. Section 3 illustrates how the new imposed logic represents a source of complex heterogenic practices. Section 4 discusses the centrality and compatibility related to the imposed logic and how this logic caused a contested context. Finally, Section 5 provides a chapter summary.

7.2 Pushing and Imposing ERM

ERM implementation procedures and tools were imposed on XYZ by the Egyptian government, IAIS, rating institutions, and international reinsurance companies. Imposing new procedures within a working system that has coexisting logics increases the centrality of the new procedures' logic(s) (Thornton et al., 2005). This is because most circuits inside the organization divert their attention towards the new procedures' to understand what the latter are, why they are useful, and how they affect their own daily activities. This becomes the main issue of talks in all circuits, so the logic(s) becomes available and accessible in everyday conversations (Pache and Santos, 2013a). This does not mean that the logic is activated in practice, because activation means practices must be materialized and used as clear activities in operations (Pache and Santos, 2013a). The next two subsections discuss how ERM was imposed on XYZ by external national and transnational institutions and address the structural changes inside XYZ from diffusing ERM.

7.2.1 External Pressures to Change Cognition

Pressures appeared on the Egyptian market by late 2004 through corporate governance implementation. It came from various international institutions like United Nations Development Program, WB, International Finance Corporation (IFC), Organization for Economic Co-operation & Development (OECD), and Centre for International Private Enterprise. Inside Egypt this blueprint began by spreading awareness and knowledge about best governance practices, and the Egyptian Institute of Directors (EIoD) got involved in training and issuing booklets. An insurance producer explained:

> The story started in late 2004…when the Ministry of Investment along with EIoD launched the governance project, then the Basel II and Solvency II…finally they moved to ERM…to continue the full governance projects they launched…all these projects had full American partnership.

This extract clarifies how ERM symbolizes governance change in XYZ's staff cognitions and, for its staff, represents a new materialization of governance logic. Ezzamel et al. (2012: 286) see governance logic as referring to democratic and bureaucratic processes associated with governance and political accountability. Governance logic has its source of identity, legitimacy, and authority. It also has its basis for attention and strategy. Its source of identity mixes bureaucracy with political ideology, while its legitimacy is rooted in the democratic system and self-governance (see section 2.4) (Spira and Page, 2003; Power, 2007). Finally, its authority comes from issuing new rules and standards through government regulations. All these sources represent bases of attention for people's cognition through issuing guidelines, standards, and rules. The result should be implementing the main strategy and thus increasing the regulatory arena's scale and scope.

To embrace ERM new ideas, the government and their Western partners needed to change staff cognition regarding ERM; they did so through extensive training programmes on what ERM is, ERM's usefulness, and how to make ERM effective. This strategy involved increasing the new logics' availability and accessibility. Availability refers to the knowledge and information individuals have about a given logic. Accessibility involves the degree to which knowledge and information about a given logic may come to mind (Pache and Santos, 2013a). Later, as the logic is available and accessible when the company's top management faces pressure to incorporate it, this knowledge base makes it easy to activate this logic. Activation refers to whether available and accessible knowledge and information are actually used in social interactions (Pache and Santos, 2013a). The internal audit GM clarified:

> Staff members, especially employees, had extensive training on the importance of governance and RBMC…because no system will work without the human factor, so you need to change their perceptions and cognitions that affect their sense making. The industry is based mainly on human perception in not only my staff but my customers as well. My staff members must feel that this RBMC is important and will improve the company.

The second step, especially after the financial crisis 2008/2009, was that Western partners of both the company (e.g. reinsurance companies and rating institutions) and the government (e.g. IAIS) increased pressure for ERM implementation. In response the Egyptian government made ERM rules and regulations compulsory and specified grace periods for listed companies to comply. Thus, the governance logic used the state as a source of authority to enforce itself in the context (Ezzamel et al., 2012). An insurance producer added:

> Suddenly…the EFSA made the implementation process compulsory and we found foreign experts being allowed to visit and ask very strange questions, like how the processes are going, is the company email used for personal matters…and many other personal questions.

Instability in Egypt's political and economic system at that time meant XYZ's top management tried to delay the implementation process. They needed time to understand market happenings. This reaction reflects a certain geopolitical status at a certain point in time. Regarding a sense of place, in the Egyptian context – especially after the revolutions – responses directly connected to economics and politics because of political and economic uncertainty and instability. Such geopolitical reactions happened many times previously in the geopolitical history where other countries faced similar political and economic instability – for example, in the post-independence era (Cohen, 2003; Tuathail et al., 2003; Walberg, 2011). In this regard, the CFO clarified:

> These days no minister will be in his chair more than five years and then a new minister requests new rules, so this [ERM] may be cancelled when a new minister steps in…so we make some structural changes…and ask to extend the

> period of grace...then next year we make one step but say the costs are too high so please wait for us…until we see what is happening.

These manoeuvres worked well with the Egyptian government so the company's top management applied the same manoeuvres with its Western partners. Their techniques were based on making presentations on the company's strategic plan, sources of risks related to this plan, and how the company was dealing with risks to share their collective way of handling risk (Jabbour, 2013). Finally, they listed obstacles facing the company in implementing this blueprint, which also justified late implementation. A risk officer mentioned this:

> The rating institutions always ask about ERM in their letters…so we made presentations on insurance risks and talked about reinsurance risks, credit risks, but they were only talks.

The main reason behind their procrastination game was that the company's top management was not convinced about ERM's usefulness. The company's operations, profits, and reserves already faced risk and depended on risk management, and top management knew the company was their job, source of profit, and living. Pressures to incur a new risk model through ERM increased the professional logic conflict between the old and new gatekeepers (Rao et al., 2003; Reay and Hinings, 2005; Thornton et al., 2005). The professional logic was not salient in the old coexisting system (See, chapter 6). ERM thus produced not only professional logic conflict but also logics complexity (Greenwood et al., 2010; Greenwood et al., 2011; Besharov and Smith, 2014). An insurance producer clarified:

> Although we are good risk managers and have managed risks for a long time, and the company is profitable and with good statistics, reserves, and proper investment rates, why should I change my full system to avoid a risk that may happen, and if happened it will not make me stop working?

An underwriter added:

> When we hear this [ERM usefulness] we laugh because…we can't live without risk management…insurance companies must have a very well developed risk management or will lose money and will be unable to continue in the market. We can't live without risk management.

A risk officer added:

> You must note and understand the crucial point that risk management itself is an integral part of the insurance processes, because based on the risk assessment I make the prices of my premiums…so we are not starting risk management today.

These extracts show that staff's mentality, especially insurance experts (underwriters and actuarial team), was not ready to accept new ERM concepts as they seemed similar to the technical insurance risks integral to their everyday work. This arouses professional identity. Insurance experts' professional identity was not in place under the monologic controls, which parallels many studies in the logics literature about waking professional identities when these professionals sense a threat of losing their identity (Rao et al., 2003; Reay and Hinings, 2005; Thornton et al., 2005; Meyer and Hammerschmid, 2006; Ezzamel et al., 2012).

This apparent conflict between professional identities meant XYZ's top management made cosmetic structural changes to the company to convince their Western partners they were embracing ERM but without escalating internal conflicts. This started by creating a claims review department that follows the CEO directly, receives the claim files from the technical insurance division concerned, and fully reviews files before the finance and investment department gets them. The department's GM clarified:

> We review files and if we find any procedure or evidence missing…I return it to the technical insurance division concerned. I don't interfere in their work. I just write a report stating that you have this and that missing…I stamp the file as reviewed then send it and my report to the finance and investment department.

Two additional cosmetic changes were made: forming an audit committee and adding the ERM department to the organizational chart. Observations and attending an audit committee meeting revealed that the audit committee fulfils EFSA's governance and RBMC requirements. Committee members' positions include CFO, board member (3), CEO, internal audit GM, Vice Chairman, CUO, and CRO. The meeting showed that the CFO prepares the presentation file and the recommendations beforehand, and the file of the meeting was prepared with its recommendations before he present then after he finished no additions or deletions were made or even discussion, and everyone signed it. An internal audit GM highlighted:

> We have a cosmetic [Audit] committee that meets for lunch or coffee and talks…as you saw last week, the report was already written with the recommendations so it should be written after the discussion, not before the meeting. And you saw members' reactions…they complete the formalities then it's just bye, see you next time.

In addition, the ERM department was added to the chart in 2010, but it was only a box on the chart with only one staff member, the CRO, who explained:

> The first phase added an ERM department to the organizational structure, but this wasn't activated…so I had a department without allocated staff…the idea was that as ERM is not implemented in Egypt, we would see how they are dealing with it abroad and keep the first stage exploratory.

The aforementioned manoeuvres were not successful with Western reinsurance companies and rating institutions, so in 2011 XYZ lost its rating with Standard and Poor's – a disaster for top management. Not being rated means no reinsurance premiums from outside Egypt or MENA, which seriously affected the company's foreign currency portfolio and its ability to retain more reserves and increase long-term investments. Also, reinsurance premiums ceded will be doubled or tripled as the company is not recognized as a safe partner for Western companies, which will lead to higher premiums for less coverage from the Western partners. An insurance producer clarified:

> One Western pressure on us to implement ERM was cancelling our Rating in…Standard & Poor's...This for sure affected my accepted reinsurance transactions and the volume of foreign currency in my treasuries and accounts, which in turn will affect my ability to pay claims in foreign currencies and pay new reinsurance premiums ceded.

This extract evidences how ERM is mixed with accountability and legitimacy discourses, as companies obsess about showing their controls rather than implementing them. In other words, companies are now extracting their insides out (Power, 2007; Lowe and De Loo, 2014). Moreover, it confirms how ERM's imposition includes fear (Soin and Collier, 2013) and political games (Mikes, 2005).

Rating cancellation caused company changes, beginning with the Chairman and Vice Chairman in the first general assembly meeting after XYZ lost its rating. Top management changes, especially the Vice Chairman, had a profound effect on ERM implementation. The new management took Western partners' advices for real restructuring of the XYZ and making the control system a real risk based system. These changes changed the well-known symbols of control and sources of authority throughout most old chains. Changing the symbols and imposing new authority sources represent deeper attempts to change cognitions by activating the new logic in practice (Pache and Santos, 2013a). The next section discusses processes of restructuring, changing symbols, and altering authority sources.

7.2.2 XYZ Restructuring: Changing Symbols and Authority Sources

The new management's main job was to retrieve XYZ's rating. They invited Swiss Re team to study XYZ's operations and controls to advise on how it can meet solvency II requirements. As a reinsurance partner, Swiss Re accepted the invitation as it allowed them to understand more about XYZ's operations and give a sense of security when renewing the company's reinsurance contracts. The Reinsurance GM clarified:

> We invited Swiss Re in...When they came, their team asked for a meeting with the main office underwriters – all of them, not a selected sample. They spent 3 full days interviewing them, and they noted reactions and responses. Some also observed actual underwriting and operational issues relating to the issuance and payment of claims, so they wanted to understand people's mentality.

And he added:

> They left here amazed by what they saw and how we were more organized than they thought…They got full assurance about us having few operational risks and they signed new treaties with us…they changed their assumed perceptions about our processes being arbitrary and intuitive calculations.

The new management thus successfully diverted attention of a main reinsurance partner from the main discourse as Western partners' mentality focused on connecting ERM with good control. Inviting them in and being transparent about operations revealed that without ERM the company already had few operational risks, which are the most important risks as they relate to behaviour and incalculable risk (Power, 2007). Moreover, if operational risks are managed accordingly most other risks can be handled easier when the ERM system is implemented as risk actions depend mainly on individual behaviour. So you may have good assessments and mapping of risks, but ERM is poor because operational risks hinder risk actions. This is the main deficiency in the ERM framework (Power, 2009; Tekathen and Dechow, 2013).

Diverting attention also happened with Partner Re – another well-known international reinsurance company. The next step involved forming a partnership with it to develop XYZ's strategic plan for its ERM and RBMC objectives. After establishing the company's strategy and goals they needed to spread and cascade these ideas to create a new risk culture. Moreover, the ERM department must be activated and should include an actuarial unit to calculate the many ratios and reserves needed like Incurred But Not Reported Losses (IBNR) and Combined Loss Ratio (CLR). The CRO summarized these moves:

> The second phase started when they thought we needed to expand the RM and to activate the department by adding an actuarial unit. This unit will specialize

> in estimating reserves…specifically technical reserves like the IBNR, which is the main reserve for me and I must calculate it accurately.

The new management also hired new GMs who have academic backgrounds in most top positions as they could lean the lower levels and cascade the new ideas and culture. These early changes prepared the lower levels' cognitions for the symbols and sources of power change. The CRO explained:

> With the new management we thought about strategic planning. All top management members are academic staff in the AUC [American University In Cairo] or big universities, and training is required in at least strategic planning and risk issues. This is the starting point in preparing people's minds for the new risk culture top management wants to embrace.

Rebuilding company goals and objectives needs collective thinking from all levels to facilitate compatibility with everybody's interests. Compatibility depends more on common goals rather than agreeing on methods used to achieve the goals (Besharov and Smith, 2014). However, XYZ's top management comprised academic professors who tried to avoid warnings in both academic and professional literature about problems with changing strategy. ERM failed previously because of incorrect processes whereby different groups had their own goals that did not serve company's strategy (Vit, 2011).

The Vice Chairman and CEO arranged a collective meeting with all interested parties. They invited the main GMs from the main office and regional branches, and they rethought the company's main short- and long-term objectives and the company's strategy while promoting the new risk culture throughout the company. The debate ended with three main objectives: sustainable growth, increased market share, and underwriting profits. The CRO explained:

> He [Vice Chairman] proposed that we should have three main objectives. Sustainable growth and market share seem logical…but I objected to the third because underwriting profit was illogical…I said ok, growth will go with market share, but for this the underwriters will try to decrease prices so we will not get the underwriting profit at the end…he was totally convinced that we can have the three objectives with each other. In the end we agreed to see how it goes in practice.

Inherent illogical incompatibility evidently exists in the company's main goals. Such incompatibility will cause institutional complexity when implemented in practice (Greenwood et al., 2011). Hence, these new objectives, as section 7.3 explains, will produce heterogeneity in practice and "institutional complexity" as employees will face various incompatible prescriptions or pressures stemming from multiple institutional logics or “constellations” of logics (Greenwood et al., 2010; Goodrick and Reay, 2011; Greenwood et al., 2011).

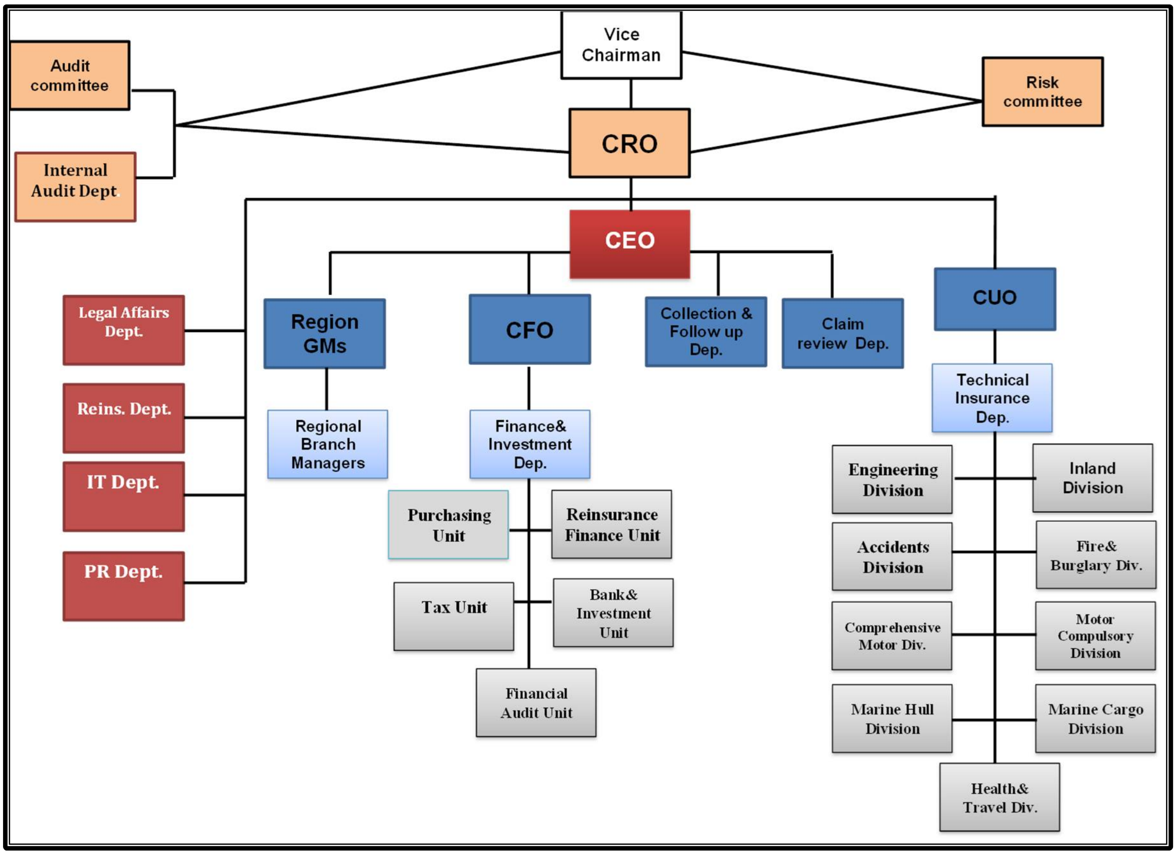
From the same meeting many company changes happened regarding responsibilities, jurisdictions, and authority distribution. For example, the CUO was moved to follow the CRO directly instead of following the CEO, because underwriting risks are part of broader RM work so should be under the CRO’s work for good integration and to avoid duplication in calculations and procedures. The internal audit GM and CRO have to report any obstacles they find to the Vice Chairman directly. Top management gave the CRO and his team all the necessary power to intervene, reassess and change what they feel needed in the company. Their decisions are soundly and quickly followed as the centrality level of retrieving the rating is high, so do the ERM and risk officers’ decisions. ERM team relationships with other departments are not smooth as launching such a project entails changes in almost everything so is difficult. A risk officer explained:

> Launching was very hard as this interferes in everything within the company. We started contacting all departments but till now our relationship is a top down…[which] means that you must work in any aspect at first with the top management, then they protect you…top management actually gives you freedom to do what you want.

After launching the ERM department, one month later the risk committee was formed and connections between the Audit committee and Risk committee were initiated. These two committees were formulated as advised in the governance and ERM guidelines (COSO, 2004). XYZ’s risk committee members are a mix of academic staff with previous risk experience, the IT GM, CRO, and two company risk managers. Such diversity of members with the inclusion of outsiders gives different perspectives on XYZ’s risk and new ideas from the academic sector. From my observations, the risk committee is very active while the audit committee is still a box on the organizational chart that adds little if anything to the company. Figure 7.1 below summarizes XYZ’s structure after launching ERM and restructuring.

The next section concentrates on the actual changes the ERM team made to the control processes and activities, and how these made new roles and overlapping structures to change XYZ’s monologic internalized routine system, as studies generally suggest for companies (e.g. Arena et al., 2010; Jabbour, 2013; Otley and Soin, 2014). It also connects these heterogenic practices with institutional multiplicity, heterogeneity, and complexity (Besharov and Smith, 2014; Greenwood et al., 2010; Greenwood et al., 2011).

Figure 7.1 XYZ's Structure after ERM



7.3 Imposed Logic as a Source of Heterogeneity and Complexity

The last section explained how ERM represents an exogenously imposed logic that tends to change cognitions and authority sources. This section concentrates on how the imposed logic's related practices produce heterogeneity and complexity by communicating new concepts and enforcing heterogenic practices that contain incompatibilities at the micro level of XYZ. This heterogeneity emanates from changes in the company's strategy, goals, roles, tools and practices.

Heterogeneity came from the ERM team's interventions, which broadly involved rating retrieval and achieving the new management's strategic plan. The ERM team has the authority to make whatever changes it deems necessary to achieve both. However, if conflict emerges between the two, rating recovery is prioritized. The problem is that ERM involves all aspects and related risks must be dealt with in a collective framework as silo

RM is rejected under ERM principles (Arena et al., 2010; Jabbour, 2013; Soin and Collier, 2013). The CRO clarifies:

> The main risks are underwriting; operational; strategic; compliance; and reinsurance…the main problem with operational risks are that they are in everything in the company. You can't separate one from the other. For example, you can't separate investment risks from operational risks…because who takes decisions and implements the full system the staff simply humans.

7.3.1 Rating Recovery Multidirectional Moves

To recover XYZ's rating, the ERM team initially implemented solvency II. Solvency II compliance mainly involves proper capital allocation to risks taken and making reserves safe (Jabbour, 2013). A safety margin is calculated using the standard QIS5 formula. This is prepared based on the EU environment, which is totally different from the Egyptian context. Top management's initial main concern was that the parameters may not be applicable in Egypt. A risk officer highlighted:

> We commenced using QIS5...the standard formula for solvency II in the EU…Applying this standard formula in Egypt with its EU parameters should involve clarifying which parameters are applicable in our environment and market.

The first error was that the ERM team imposed the QIS5 risk co-officiant without properly study its compatibility. The CFO explained:

> A tragedy happened at the beginning…they brought programmes to calculate reserves and it was imposed…but they hadn't adequately studied if this system will work with ours… Anyway, you can't say no…we started combining this new system with our chain leader and had to estimate the expected claims. We found that we needed to retain billions in reserves so we should be bankrupt already [laughs].

Imposing incompatible parameters then withdrawing them created mistrust and questions related to the ERM team's professionalism and behaviour. This early wrong move escalated professional conflict (see section 7.2.1) (Rao et al., 2003; Reay and Hinings, 2009). After this, the ERM team was keen to calculate and think things over before making moves, because they feared causing resistance to the new risk culture. A risk officer highlighted:

> Now, when I decide to go inside any department I am cautious and calculate my moves, because I do not want to create…risk resistance…It is not easy to convince a person in any department to cooperate with you, then to accept your amendments to their work.

Fearing resistance made the ERM team take training and discuss with their Western partners regarding compatible parameters for the Egyptian context. After many trials with Western partners, CRO and Vice chairman realized it is too hard to customise QIS5 formulas to XYZ's context but mainly because of time and cost issues. It would take much time to study the context and identify the prototype model that fits XYZ's context. It would also require huge costs beyond what the company could afford in the short run. Nevertheless, reinsurers gave advice about how this new model should be applied and made price offers for training and partnership services.

Top management decided to abandon the QIS5 project and, instead of changing the full system, considered maintaining the company's reputation by having proper capital allocation at first then taking their time to develop real ERM. Managing their reputational risk (Power, 2007) also involved trying a meta risk model to calculate the company's reputation and risks attached to this. This represented a change in top management's attention towards reputational risk management before changing its mundane practices. The meta risk model project failed before it started as management discovered that there is no customised model or parameters available to implement within this company's context, which led to rethinking regarding a new model. The CRO clarified:

> We tried to get something called meta risk [reputation risk parameters]…[but] I don't want to purchase a Rolls-Royce car then find it's not suitable for Egyptian conditions. I want to purchase a capital model I can run in my company tomorrow morning, so anyone who tells me take the software as it is, I say thank you I don't need it.

After these unsuccessful trials XYZ's management contacted a rating institution instead of reinsurers to see how they assess the company for rating recovery. A.M.Best, a renowned rating institution, used Best's Capital Adequacy Ratio (BCAR), which is an integrated review of an insurance company's underwriting, financial performance, and asset leverage. The BCAR system calculates the net required capital to support financial risks associated with the exposure of assets and underwriting to adverse economic and market conditions, then compares these to economic capital (Best, 2013). XYZ's top management use this as A.M.best specialists informed them that BCAR has a standard model for each geographical region (e.g. Middle East, Europe). A risk officer highlighted:

> [We] work these days on risk identification from rating agencies perspectives. They have a programme called BCAR…this model…gives them indexing about the efficiency of the capital in the company under study. Actually, this is the model we are using these days practically.

After using the BCAR model to identify the proper capital allocation for each insurance type, the ERM team compared the number of reserves already maintained with what the new BCAR calculations extracted. There were many deviations in almost all the company's reserves. These would not be solved by pumping new capital – only by adding constant reserves from annual profits, which needs intervention in everyday processes (see section 7.3.2).

From what was observed, the BCAR calculation is for long-term reserves maintained for unexpected catastrophes like floods and hails, though another temporary reserve account called "IBNR" affects the accumulation of long-term reserves. IBNR stands for incurred but not reported losses, meaning accidents have happened already but not been reported. IBNR calculations were previously done through fixed percentages. These percentages were determined by the EFSA as legal reserves that must appear in each year's balance sheet as accruals. For example, 10% of car claims were previously expected to be unreported. Nowadays, though, the ERM team found these fixed percentages to be inaccurate; instead, percentages should be variable to suit changes in contextual factors. A risk officer explained:

> Traditionally, this was calculated through percentages from the EFSA, so they'd say retain 10%, 20%, or 25% of the percentage or reserve you already have. But you must increase the temporary reserves you have maintained by this percentage. So, if you have 100 pounds and the percentage is 10% increase, you must have 110 reserves for this year.

The CRO added:

> In 2012…[old management] brought in an international actuarial expert called 'Milliman' who found a huge deficit in the reserves…the reason was the inaccurate percentages from the EFSA.

To get over this problem top management contracted BWCI actuarial service group to assess the company reserves (BWCI was an A.M.Best approved actuarial service group). This was crucial as rating institutions must be convinced that the company has proper capital allocation and reserving procedures to be rated. From what has been discussed regarding rating recovery, negotiations, and calculations are decoupled from actual practices. They are decoupled because they have no actual intervention in the mundane practices of the company's control system (Meyer and Rowan, 1977; Uddin and Hopper, 2001; How and Alawattage, 2012; Pache and Santos, 2013b).

Regarding coupling these new calculations with the mundane practices, the CRO introduced RBMC's new concepts and procedures into the company's reserving and investment. He also got the CFO and CUO to conform to these new formalized procedures, rules, and concepts, including CLR, equalization reserves, and probable maximum loss (PML). Equalization reserves under the Solvency II principles mean that the company should retain a long-term reserve to prevent cash flow shortages in unforeseen circumstances.

Equalization reserves cannot happen until the CLR is made inside the underwriting and reserving. CLR is calculated by divided totals claims paid and all other expenses over the total annual premiums. The calculated ratio should be less than 100%, which means that the company has underwriting profit from its operations that leads to retaining profit then reserves. A risk officer clarified:

> What's more important than retained profit is the equalization reserve. Equalization reserve philosophy concerns the years you make good profits as you should retain much of it for future bad results. What we…[started] with, is the idea of the combined loss ratio being less than 100%. This was the benchmark. I'm working by CLR after all expenses, so if you can get the CLR to less than 100% this increases your technical profits, and you can then increase the equalization reserves…which is additional to capital for the rating agencies because it has no liabilities or…obligations. It's simply free capital.

CLR implementation was successful as it decreased from 126% in 2011 to 94% in 2014, a shift that looked very promising for foreign rating institutions. (The next section discusses how the company achieved 94% CLR, which means 6% of profits represents free capital or equalization reserve.) The ERM team also agreed with the CUO and all insurance divisions' managers to apply PML, which also relates to equalization reserves and protecting amounts added to long-term reserves. The company subsequently offered customers premium decreases but they decreased coverage percentages. Catastrophes like fires after the revolution were very frequent. Consequently, the company could not cover 100% of properties, so the ERM team set the company's PML at 80% coverage. This new underwriting technique allowed more free capital to be reserved in the long run and made the company safer in its contracts. A risk officer explained:

> PML is used with catastrophe and natural disasters...It ensures the company does not pay 100% of the insurance amount…we say to our customers that for natural hazards we can't offer full coverage. We cover only 75%, for example, which means we have decreased the capital allocation for this risk by 25% and have free capital to use elsewhere.

To summarize, the ERM team took many actions between 2011 and 2014 to retrieve the company's rating. They were successful in many areas like CLR and PML, which created good impressions on Western partners. From further contact with company personnel after collecting the main field data, I learned that A.M.Best visited the company in June 2015 and were very impressed by the company's changes, and they asked for more interventions in operational risks. For 2016 the company will issue a medium marginal (C+) rating temporarily until the rating institution sees how the company fulfils their recommendations. If XYZ has finalized the required changes by September 2016 it will get (A) or (B+); if the situation remains the same or if it delays the new recommendations it will keep its (C+) rating or move to a (B-) fair rating for 2017.

The next section concentrates on ERM interventions for the strategic plan and the massive changes in the monologic control system's mundane practices. These changes will clarify how ERM transformed the traditional financially orientated MC system into a heterogenic risk laden system. It also shows how this heterogeneity produced institutional complexity in the field.

7.3.2 Achieving the Strategic Plan: Changing Mundane Practices

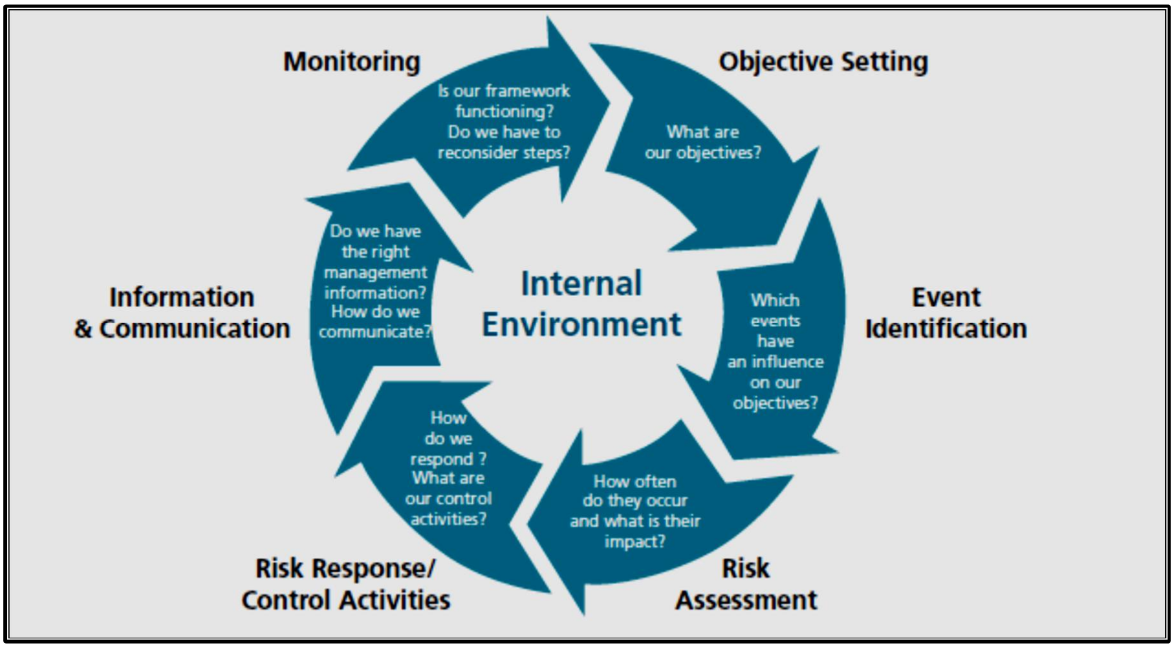
The new strategic plan sought changes in the control system and staff's mentality and actual practices. This section unpacks the material practices taken to change MC from monologic to heterogenic and the related changes in the staff's symbols and norms to convince them of these heterogenic practices' effectiveness. By clarifying these issues this section explores how and to what extent the ERM team changed people's mentality, behaviour, sense making and cognition. Imposing such material practices without changing the normative and symbolic aspects of the old logics staff adhere to would be a cosmetic change, not an effective change (Thornton, 2004; Thornton and Ocasio, 2008; Thornton et al., 2012).

Changing mundane practices involved constructing an ERM framework. The framework initially identified strategic objectives (see section 7.2.2) then clarified necessary events that hindered the strategic plan. Assessment of inherent risks and risk responses followed, before finally communicating ideas and monitoring changes. XYZ's ERM framework shows its processes as a continuous cycle, as shown in Figure 7.2 below. This full cycle and its implementation represent an enforcement of the governance logic self-governance source of identity (Ezzamel et al., 2012).

After objectives setting was identifying events that inherently contradict the organization's main goals then conducting risk assessments based on severity and frequency or "risk mapping". Risk mapping is a by-product of spreading the risk culture throughout the company, as the CRO clarified.

> I made a good project…regarding risk culture transfer. I reached…risk maps…which are not actually full assessments. The project's main aim was initially not to identify the risks…[but] to notify all staff that there is a new department…[and] to show my colleagues how to conduct RM. I tried to identify the frequency, severity, and scale of risks in the company, and teach them…what risk mapping is so they understand the diagrams and schedules of risks…this pilot project was made…through questionnaires and interviews with around 60% of the staff.

Figure 7.2 XYZ's ERM Framework



Risk culture dissemination was the pilot project's main aim – more than identifying risk. Thus, the ERM team will not collect and manage all the risks the company face. Instead, it should partner with all departments so that each employee is a risk officer on their own work and every manager across all departments is a risk manager for his/her unit or department. The CRO explained:

> The philosophy of…the ERM framework is…to partner with business units, and I intend for each individual to be a risk officer in their place…this is what they call risk culture in the COSO framework…and is my final vision…I will be unable to get deeply involved in all company transactions, so people must feel this. The next stage must transfer the risk culture…it can't be done with top down instructions.

The main aim of disseminating risk culture is to make organizational members carriers of institutional scripts, not active adapters or creators of practice (Binder, 2007). As the CRO explains above, ERM values and associated beliefs must be instantiated in actors' minds, practices, and behaviours for them to become, ultimately, carriers of the new logic's symbols and language (Almandoz, 2014). This directly relates to making the logic available and accessible while the risk culture is being formulated and communicated; eventually, this logic should be activated throughout the company, reflecting the logic's actions, sources of authority, legitimacy, and identity (Pache and Santos, 2013a).

From this pilot study the ERM team identified 11 main risks to company objectives, namely capital adequacy, income, underwriting, catastrophe, reinsurance/credit, investment, operational, liquidity, governance, reputational, and strategic. Of these, only 5 severely or highly affect company objectives (underwriting, operational, strategic, compliance, and reinsurance). The other 6 are moderate or low risks and can be handled for now. Table 7.1 below shows how the ERM team mapped the company's risks by connecting the risk type to the controls on the activity discovered. Upper moderate risks and high risks need immediate intervention; moderate and low risks can be accepted until the team solves the more critical ones.

Table 7.1 Criteria for Risk Mapping

	Inherent risk level detected			
Quality of controls found	Low	Moderate	Upper Moderate	High
Strong	Low	Low	Moderate	Moderate
Acceptable	Low	Moderate	Upper Moderate	Upper Moderate
Need Enhancement	Moderate	Upper Moderate	High	High
Weak	Upper Moderate	High	High	High

Risk identification and mapping cannot be done until they are related to the company risk appetite, as risk appetite is the cornerstone of identifying what the company can take as acceptable and what is severe and needs immediate intervention. Table 7.2 below clarifies XYZ's risk appetite for the coming three years. Based on this and inherent risks identified, the company decided to intervene in only five risks for now.

The underwriting risks involved many interventions, some of which directly relate to the underwriting process, like making written formalized procedures instead of leaving them to the underwriters. As section 6.3 discussed, the only formalized issuance procedure concerns price rates, but there are no formal, standardized instructions that must be followed for issuances. From my observations of the issuance and collection revenue cycle, formalization intervention is currently on paper and it will take much time for the underwriters to follow it in real practice as it involves changing their routine, internalized way of everyday underwriting (Burns and Scapens, 2000). The CRO clarified:

> Underwriting needs more work in the future, as we have made underwriting guidelines. Well, actually we've had these in the company but only informally, not obligatory and not written down. We transferred this to written guidelines and will make them compulsory to apply. But this will not be done today or tomorrow morning; it will take a long time.

To push the newly formalized underwriting guidelines the CRO and top management held meetings with company underwriters and asked about their problems and needs, made them feel important, then talked about the merits of these new procedures, stressing their significance. They then stressed that this will affect the company in the long run, which will not be permitted or tolerated. So it involved persuasiveness and threats, which reflects governance logic and sources of legitimacy and identity as it entails democracy and self-governance with formalized bureaucratic regulations (Ezzamel et al., 2012).

Table 7.2 XYZ's Risk Appetite

Risk type	Accepted tolerance rate
Capital and equity risks	▪ XYZ wants its capital risk not to exceed 50% of the company's total owners' equity and if this happens, it must not occur again for at least 10 years. ▪ XYZ doesn't want any fluctuation in the average owner's equity amount, to reach a decrease of 5% or increase that exceed 10% at least for the coming 10 years. ▪ XYZ doesn't want the biggest risk on its portfolio to reach 15% of its owners' equity in the next 10 years.
Income risks	▪ XYZ doesn't want the rate of return on equity to decrease more than 5% in the next 10 years. ▪ All insurance divisions must not have any underwriting deficiencies in the next 3 years. ▪ XYZ doesn't want any decrease in its underwriting surplus to reach 20% in the next 3 years. ▪ XYZ doesn't want any decrease in its investment rates that reaches 5 % in the next 3 years.
Underwriting risks	▪ XYZ wants to reach 25% of market share in the next 3 years. ▪ XYZ doesn't want any fluctuation in the net premiums collected that reach more or less than 5% in the next 3 years. ▪ XYZ doesn't want its combined loss ratio to exceed 100% in the next 3 years. ▪ XYZ doesn't want fluctuations in its net IBNR claims over 5% in the next five years. ▪ XYZ doesn't want its reinsurance ceded commission to exceed the commissions on direct transactions in the next 3 years. ▪ XYZ doesn't want risky transactions to exceed 10% of any insurance division portfolio in the next 10 years. ▪ XYZ wants to keep a good balance of foreign currency in its treasuries and the fluctuation of this balance must not exceed 1% in the next 5 years. ▪ XYZ doesn't want exceptional claims or sudden losses to increase more than 10% of current claims paid or 100 million Egyptian pounds as a figure number in the next 3 years.
Catastrophe risks	▪ XYZ doesn't want catastrophe losses to reach 15% or 500 million Egyptian pounds in the next 100 years.
Reinsurance/credit risks	▪ XYZ should work with at least B+ rated reinsurers in the next 3 years. ▪ XYZ doesn't want any reinsurer's rate to exceed 25% of its direct transactions in the next 2 years to insure diversification of its transactions. ▪ XYZ wants to collect at least 80% of its uncollected reinsurance claims in the next 3 years. ▪ XYZ should collect at least 95% of its direct premiums in the next 3 years.
Investment risks	▪ XYZ doesn't want more than 5% of its total investment to be in risky investments in the next 3 years. ▪ XYZ should not have more than 10% of its investment in one type of investment in the next three years.
Liquidity risks	▪ XYZ doesn't want its current assets ratio to its liabilities to be less than 150% in the next 10 years.
Operational risks	▪ XYZ doesn't want to lose more than 10% of its technical experts in the next 10 years. ▪ XYZ should rotate and train staff in all positions in the hierarchy so the second in command can advance to higher positions in the next 3 years. ▪ XYZ should have specified job titles and descriptions written and followed within the next 3 years. ▪ XYZ doesn't want to have partial or full disruption of its operations by IT system failure in the next 10 years. ▪ XYZ doesn't want errors and ignorance in the underwriting processes to reach 10% of total sales in the next 3 years. ▪ XYZ doesn't want any corruption or money laundering to reach 5% of its total sales in the next 10 years. ▪ XYZ doesn't want employee complaints to reach 10% of the total employee number in the next 5 years. ▪ XYZ permits some tolerance and overriding of written underwriting procedures with recurrent bases if this is justified with good reasons. ▪ XYZ permits limited tolerance in overriding claim payment procedures if justification is found. ▪ XYZ permits limited overriding of investment procedures to give the CFO some space and flexibility in picking and selecting good investment opportunities.
Governance risks	▪ XYZ doesn't want to fully comply with all laws and regulations in the Egyptian insurance market in the next 10 years. ▪ XYZ doesn't want to have any violations of the company's code of ethics in the next 10 years.
Reputation risks	▪ XYZ is willing to get A Excellent rating within one year and maintain this rate for at least 10 years. ▪ XYZ doesn't want to lose more than 10% of its total customer in the next 5 years. ▪ XYZ doesn't want customer complaints to reach 10% of its total customers in the next 5 years. ▪ XYZ doesn't want to have law suits to reach a claim amount of 10% of its customers in the next 5 years. ▪ XYZ doesn't want to be mentioned in a negative way in two media channels in the same month for the next 5 years.
Strategic risks	▪ XYZ doesn't want to have any deviation that exceeds 20% from the plan in the next 10 years.

Price setting also needed some changes to suit more sophisticated actuarial statistics calculations and models instead of the chain leader and other previous intuitive calculation models. Top management believed that if prices were calculated properly this would decrease underwriting risks and help build long-term reserves. In sum, then, underwriting risks faced new actuarial pricing programmes to formalize the underwriting process and try to convince underwriters of the importance of these new underwriting systems so they would comply. A risk officer clarified:

> We are…aware that our main risk is the underwriting risk so we are working on it…but [still] we badly needed new actuarial statistics models in pricing…[because] when the actuarial team is working on the reserve and the premium they are already decreasing or minimizing underwriting risks. So if you have an effective actuarial team this makes pricing more effective and creates less chance of having wrong price rates or…wrong reserves.

Regarding reserving risk, the ERM team made real change in the organization's mundane practices. Decoupled image making to satisfy rating institutions without actually making real change in reserving risk is not acceptable. The company could be in real trouble and even face possible bankruptcy if the reserves are insufficient. The ERM team thus studied existing insurance policies, one by one, to see how much reserve is contained against every file and assess if the reserves contained against the risk is sufficient or not. In short, they reassessed the reserves from its origins, reviewing them file by file. A risk officer commented:

> [We] studied all the company data, insurance division by insurance division, regional branch by regional branch, to determine its problems then worked on these…the main objectives were to have a proper capital allocation and ensure that each insurance division has its adequate capital.

Reviewing the reserve revealed an overestimation of IBNRs for every claim file, which gives higher percentages of obligations on the company's financial statement although these obligations are not real. Also, when using actuarial programmes and models to calculate the reserves the company appears to have few reserves because of unreleased capital in IBNRs. The CRO explained:

> We have a very old philosophy…which is very conservative. For example, if I have an accident and the expert said we may pay 100 pounds…for sure we will not pay the 100. It may be negotiated to 50 or 70, but they report it as 120 in the records…When the accident has been paid with 50, they don't close the 120 estimation…as it can be used in another accident they don't expect…I need these unreleased capital…they make me tails in my calculations with no

> reason. Also, it causes deficiency in total reserves. I swear to God, I found a 5 year old accident that wasn't closed.

The ERM team and legal affairs made a direct intervention through a full re-evaluation of the files and the company's reserves reflect the actual obligation that the company owes its customers. The 2014 reserves re-evaluations resulted in closing 350 million Egyptian pounds held as reserves for already paid claims. Closing these reserves released more capital, which was added to the company's investment portfolio. A risk officer clarified:

> This year only we closed around 350 million holdings from our reserves…have the top management felt our work...Now they feel, from a profit and loss point of view…that they have got 350 million that was not here and you don't know…that you can get them…now they are released capital from the reserving and are added to the investment.

The reassessment was not related to reserving only: it contained a re-evaluation of risk retention transfer and exposure. The Reinsurance GM highlighted:

> My main objective is to purify my existing portfolio through re-evaluating existing policies and reinsurance contracts…we examine the policies issued one by one and check their geographical location to determine which of those customers are more exposed to risks…then I try to add more new controlling procedures on these policies…my focus is on whether the company had sufficient and enough reinsurance contracts to cover expected risks.

The ERM team evidently started changing the mundane practices of both reserving and reinsurance through re-evaluations and direct intervention. These sudden changes in material practices made the governance logic related to ERM implementation more central to the people as they altered the core activities of reserving and reinsurance (Thornton et al., 2005; Ezzamel et al., 2012; Besharov and Smith, 2014). As these new practices reduced the freedom of underwriters in issuing and reserving activities, the compatibility of this logic in relation to the old monologic controls logics also reduced as ERM sought more formality and thus less informality (see section 6.5). For XYZ's staff, this represented an unwanted shift in logics (Thornton and Ocasio, 1999; Rao et al., 2003).

The ERM team also made hard interventions in the budgeting system as they compelled the budgeting team to prepare budgets using CLRs for every insurance division and identify targets for every insurance division. The CFO and the budgeting unit had to follow these instructions. The CRO clarified:

> Regarding…the budgeting unit, I gave them general guidelines to work with. For example, I determine the CLR, which must be less than 100% for each insurance division. All company's departments should target this and in fact must comply with it.

The Budgeting unit manager added:

> The new method…is based on making sales forecasts for each insurance division, not like before when the budget focused on the regional branch and how much it must sell. For example, I once told the branch to get me a million in sales revenue, whatever insurance policies are sold. Now we make this so if I asked the same regional branch to sell a million I will tell them to do this amount from car insurance and that amount from fire, so the total is one million.

These quotes show that budgets were negotiable and prepared as total sales targets for regional branches to achieve (see section 6.3 and 6.4), but now they are not negotiable and are more detailed for every regional branch as they specify certain target amounts for every insurance type with the total of these various targets giving the regional branch's target. This change reflects how the new target setting is more binding. Budgeting changes was a main driver for institutional complexity in XYZ, as the staff now face a new constellation of logics instead of three old coexisting logics (Goodrick and Reay, 2011; Greenwood et al., 2011). Changing budgets involves more than changing procedures and communications, though, as budgets symbolized the monologic control system. In a sense, changing budgets means changing the old system as a whole, as budgets are internalized as routines and the main language of everyday mundane practices (Burns and Scapens, 2000).

However, even after such changes the ERM team found that regional branch managers were not complying with the new divided targets and still followed total targets in the budget only. In response the ERM team changed incentives related to targets. Previously, profit shares were related to total targeted sales achievements, but incentives became related to insurance division types in regional branches' budgets. Thus, if the regional branch sells five types of insurance policies, each of type has a percentage of the total budget target. Moreover, the ERM team pressured producers and made them value the insurance type the ERM team wanted them to sell. They did so in two ways: increasing commission percentages related to insurance divisions that have higher percentages of regional branches' targets; and decreasing commission percentages of insurance divisions they did not want to expand. An accountant clarified:

> I will make him do so [new budgeting compliance] by decreasing the profit share percentage [commission] on car insurance sales or whatever the

> insurance branch I want to decrease the sales of...So [I] pressure him by the share of profit…to decrease his sales from it.

Besides targets and incentives, variance analysis was also changed. Previously, the sole analysis concerned achieving targets and payments from expected claims (i.e. how much is collected and paid). Now, more analyses are required to cover every aspect of both collections and payments. For example, claims deviations no longer involve comparing estimated claims and actual figures only; actual claims must relate to the geographical region's total risk, the number of accidents, and issuance premiums. The Budgeting unit manager clarified:

> A key analysis [change] we made…was connecting issuances and claims paid. This seems very easy…but it wasn't…the paid claims for this year are not necessarily from this year's issuance. They may be from last year's issuance or five years before issuance if it relates to construction policies.

She added:

> We're trying to add the number of accidents that caused the claims paid – for example, did one accident or a thousand accidents cause the million pound payment? This type of analysis was not there before. It's a good step to help our underwriters in the future, because it will give them more data about actual accidents that are related to the paid claims they were expecting before the year.

These extracts clarify how the full monologic control system, which was mainly based on budgets and variance analysis, is changing to ERM's new control system based more on risk analysis. This change brings heterogeneity and overlapping structures but also new cognitions and ways of communicating. The control system is becoming a risk laden heterogenic control system that is changing internalized roles, symbols, communication, and cognitions. This massive change (as section 3.5.2 discussed) its consequent specific changes just mentioned will lead to logics contestation (Reay and Hinings, 2005; Thornton and Ocasio, 2008; Ezzamel et al., 2012) and staff will become carriers to competing logics as source of reference (Binder, 2007; Thornton et al., 2012; Almandoz, 2014). With this, staff may lose their identities if they do not get a settled path to follow (Kraatz and Block, 2008; Gioia et al., 2013; Kodeih and Greenwood, 2014).

What made the budget change more complicated and a source of institutional complexity was having a risk based budget that included risk reactions and signals. This prototype opposed what Collier and Berry (2002) found when reporting the non-existence of any sort of risk based budgets, as XYZ's ERM team added coloured cells (e.g. green, yellow, orange and red) to the right of budgets that identified each budget item's risk level. This sought to connect KPIs to the budgets and thus facilitate risk monitoring. The CRO clarified:

> We made something like risk based budget…[Now] I can collect numbers and ratios, and then construct…a risk based budget until I get a comprehensive picture, including all revenues and expenses.

Building such a budget differed from that for the old budgets, which were built in a bottom-up way until reaching the full master budget. Then top management made amendments to numbers of sales and costs, and the formal budget was finalized and distributed to regional branches. The ERM team found the latter problematic as top management will change the numbers built from bottom to top, and the end result will be totally different from the work done by the budgeting unit. It was also time consuming and very rigid. A risk officer clarifies:

> [The old budgets'] problem involved building from down to top, then top management amended the final product. So you prepare the full budget…then talk with them in the meeting but end up with a final product unrelated by any means to the inputs...you have a new budget that isn't related to the budgeting department's work.

Another risk officer added:

> We studied revenues and expenses numbers and their relationships, and we determined unknown factors that if we got we can build everything in relation to them…the unknowns were three specific factors we need to know from top management before starting…premiums growth rate, or even decrease rate...how much is…reserve growth, and what is expected to happen from claims – though we can replace the last two if we have expected loss ratio. With these I could then prepare revenues and expenses for insurance branches, and what is applicable in one branch will be applicable in all others. After finishing all branches I can connect the numbers to identify expected profit distribution.

This new way of budgeting from top to down saved much time previously lost in preparing budgets; it was also flexible so ERM team can easily change the numbers and prepare a new budget within minutes. It also gives budget stability and relevancy as, once prepared, the budgets are not changed by top management. Finally, these new ERM budgets included signalling capability inside it with colours that identified four colours – green, yellow, orange, and red – for every item of the budget. These signals identify the newly prepared budget's problems automatically. The CRO explained:

> The calculated numbers affect predefined ratios in the sheet, then what exceeds the predefined ratio which represent my tolerance rates. I will have some cells coloured with red or orange as an alarm, or even if any number exceeds the previously defined ratios I get notification of the change…So what we did is connect the results with some ratios, which has two advantages. First, the connection gives you alerts, so you are relating the plan and appetite with your pre-identified risks. Second, you can change or amend anything in the business plan even on a daily basis…this was the main idea of such a budget, because as a risk management department I need to see the effects in a faster way than what exists. I can't afford to wait…to see the business plan. I can change the business plan I have with any situation that may occur.

In short, the ERM team's interventions and risk culture dissemination produced a new complex environment inside XYZ. This environment supported heterogeneity and the changing of symbols, cognitions, and actions within the control system so ERM needed a total reconstruction of staff identities for them to follow this risk laden control system. The rapid, massive control system changes and how these were imposed produced unintended consequences. First, the consequent identity crisis (discussed next) suggests that these system changes should be studied as an identity project because the new system is trying to form new identities (Lok, 2010). Secondly, ERM produced institutional complexity by exposing staff to a constellation of competing logics (Greenwood et al., 2010; Goodrick and Reay, 2011; Greenwood et al., 2011). Thirdly is that power and authority changes have certain consequences, as the next section also discusses.

7.4 The Imposed Logic's Instantiation: Complexity Consequences

The previous section discussed how implementing ERM and moving control to RBMC required massive changes throughout XYZ control system, including reserving, pricing, underwriting, budgeting, and reinsurance. Changing the mundane practices changes the monologic control coexisting logics that staff live with, believe in, and adhere to (as discussed in Chapter 6) (Thornton and Ocasio, 2008; Thornton et al., 2012; Pache and Santos, 2013a, 2013b). If such changes are not well communicated, understood, and absorbed, the material practices of everyday life tend to remain old routines (Burns and Scapens, 2000). Thus, the new practices needed proper explanations for staff at all levels to be convinced of their benefits. A problem was that partners desired massive changes in symbols, cognition, and mundane practices, which produced power and status change. it also brought institutional complexity, which if not resolved can cause identity crises.

The next subsections clarifies the centrality and compatibility levels related to the new imposed logic and how it produced a contested context because top management members experienced conflict over these heterogenic practices. If top management is divided regarding the usefulness of ERM and its RBMC practices, this will lead to contradictory cascading orders to the lower levels, as Major and Hopper (2005) reported in their study of ABC implementation. Such contradictions and conflicting orders produce anxiety and undetermined actions at the micro level. Hence, if the cognition related to the new symbols and norms being vague and ill defined this affects employees' sense making and identity, leading to institutional complexity (Meyer and Hammerschmid, 2006; Dhalla and Oliver, 2013; Gawer and Phillips, 2013; Lander et al., 2013; Kodeih and Greenwood, 2014).

Escalating complexity and fighting between and even within blocs increases feelings of a lost identity at the micro level. The response to losing identity in such contexts is cultural resurgence (see Chapter 8) through a geopolitical shield of protection – namely a clash of civilizations (Huntington, 2002) – to protect both the monologic controls from being heterogenic and micro level employees from losing their identity.

7.4.1 RBMC Centrality

The imposed logic's centrality level is high in the organization, as mentioned previously, for various reasons. First, the logic is imposed from outside the organization and from top management for the company to regain its rating, as a main objective to top management and stressed on aim in all the meetings this raise rating centrality as it is available and accessible in all circuits (see section 7.3.1). Secondly, the ERM team had the authority and power to interfere with and change many aspects of daily operations, which increased the centrality of ERM's heterogenic role. Moreover, the ERM team changed many aspects of organizational operations like reserving, underwriting, and budgeting and its related incentive schema, but they did this not by convincing but through coercing (Thornton et al., 2005). Thirdly, the ERM team and new management changed the company's strategic plan, objectives, and mission, giving it a new risk laden thinking which, unlike the past, includes not only catastrophe and reinsurance but also now financial, operational, reputational, reserving, and credit. Finally, the company's RBMC was more than heterogeneity as it involved other aspects of control such as formalizing job titles, underwriting procedures, making reserve calculations, and pricing calculations. This was different from what employees and middle managers were adhering to in monologic controls, where the system blended formality and informality. The ERM team, however, tried to increase formal parts of the system, affecting both centrality and compatibility levels. Regarding centrality, the ERM team tried to divert staff's attention from relying mainly on informality to relying on formalization for almost everything.

At the micro level, employees are now exposed to new logic dissemination through interviews with the ERM team and top management meetings. Also, all senior parties in the company, including the CEO, Vice Chairman, and CRO, are now talking about CLR, IBNR, and the new incentives so employees feel the change breezing the company and its ruling logic. The CRO is particularly keen on spreading such concepts.

> When I said we need to spread the CLR and IBNR…at first they just looked at me, open mouthed, and shook their head. But now most underwriters and regional branch managers are mentioning the CLR percentage while they work.

The ERM team tried to enter micro level employees' world by interviewing them, but this was also to spread the reasons behind this project and their crucial role in it. This increases both the availability and accessibility of the new logic in their minds. Also, the training mainly concentrated on middle level managers and employees in underwriting, reserving, and reinsurance to familiarize them with the new logic and implant it in their minds. This process should make activating such logic easier when the company fully moves to the new RBMC system, as Pache and Santos (2013a) say. Regarding this, activation should not be discussed in isolation from compatibility because the new logic's instantiation depends on both. For now, the ERM team successfully made the new logic available and accessible in the minds of most staff.

My observations in the case site regarding the centrality level opposed a key principle in Besharov and Smith's (2014) model of analysis. They assumed that the level of centrality and compatibility should vary according to the level of analysis. This assumption was not found to be totally true, though it is partially right (as mentioned next). Regarding the centrality level, this work found that at all levels of analysis from the macro (state level) to the organizational and on to the micro the imposed logic's centrality level was high.

7.4.2 RBMC Compatibility

The imposed logic's compatibility was different from level to level and sometimes even within the same level based on each participant's position and how much s/he was harmed by or benefited from these new procedures, unlike what Besharov and Smith (2014) assumed in their model. The differences varied much as some people found these new procedures compatible and to be moving the company forward while others found them bad and not useful. Like what Major and Hopper (2005) concluded, here management is divided on the compatibility issue.

At the macro level (State) the government is fully convinced about RBMC changes and helping Western partners impose these new regulations on companies. It even made structural changes in the governmental supervisory authority itself (i.e. EFSA itself) so it is controlled and managed using a RBMC approach (EFSA, 2014). This reflects how the State is intervening in the process.

At the organizational level, much tension and conflict occurs between different parties regarding ERM's usefulness and why the company should move to RBMC, partly because of the detachment between the CFO, CUO, and the ERM team. This detachment came from how the ERM team used their power and authority to force this bloc to follow their changes. This disconnection was clearly evident in both parties when talking with them. The conflict escalated because each bloc has its own reasons for this view and adheres to them. From what was said, the CFO and CUO lost much power and authority from these structural changes and moving beyond the budgets, and even the budgeting unit will be supervised by the CRO, not the CFO. It is thus an authority, power, and status problem. A risk officer clarified:

> Coordination is what we miss in our relationship with other departments. We have actually asked all staff in the budgeting department, not only their general manager or CFO, to have a meeting about this [ERM budget], saying please come and assess, modify, and develop anything in it…they have not refused, but they said they are already making not a budget so what's the need for what you're doing.

This chaotic situation encouraged further observations regarding this miscommunication and how it spreads and affects operations. The main problematic conflict was between the CUO and his team with the CRO, as the underwriters feel that ERM and its RBMC are not bringing anything new to their underwriting procedures or pricing catastrophes. Most underwriting operations are still done using the chain leader (old programme); furthermore, after ERM introduced QIS5 they withdrew it and returned to the BCAR. This decreases the new imposed logic's compatibility level as they deem it unnecessary. An underwriter clarified:

> Most of my operations are still based on the technical or insurance risks, not others…you can say I'm opposing the implementation. Actually, no. It is not offering solutions to critical problems, that's the problem. Can you or them [ERM team] tell me how it deals with financial risks? You may have a

> customer who suddenly says they can't pay or went bankrupt…Generally, it offers nothing and is useless.

ERM processes and their main principle of risk interdisciplinary and dealing with risks collectively is not a practically studied idea (i.e. in theory), and aligning and realigning risk items is not practical, though catastrophe risks rarely happen with each other or affect each other, although they may happen but are very unlikely. This supports Tekathen and Dechow's (2013) criticism of ERM's alignment and realignment for giving abstract information and making risks harder to manage. An underwriter clarified:

> They are thinking about a case which will not happen in 99% of insurance policies. It is very rare. Almost impossible to happen. There is no relationship between insurance risks, except sometimes fire risk and car insurance policies, but now all the cars in factories are in separate garages which is far enough from the production site…interrelation or interdependence between technical risks is not a consideration for us at all…each technical department has internal meetings with its staff regularly but coordination between technical departments does not happen unless we have a joint issuance contract.

This low compatibility with underwriters understanding and sense making increases the need for proving their identity through professional identity that confront and compete with this new imposed logic. They now see themselves as the base for the insurance company's operations and call themselves the technical department but all the company's departments are just service departments that help the company make a good production. So, those insurance experts in the categories of underwriter and actuarial experts should be regarded as technicians and all other departments help them as service departments, not impose something on them. This concords with Reay and Hinings' (2009) hospital case where professional discourses increased when the medical logic confronted the business logic. An underwriter highlighted:

> Our departments are either service departments or technical departments like us. The service departments serve us to do the insurance production process and I use their services to get information. They include the finance and investment department, the IT department, administrative affairs department, and insurance producers department. As they are not technical they are service, and I ask them to do things to help me take the right decisions in issuance and claim payment processes.

In contrast, the ERM team has good relationships with the internal audit team, reinsurance team, and the IT team as all these parties feel RBMC to be important and not conflicting with the company's main overall goal. So, for these parties, the compatibility level is reportedly high. This is apparent when talking to any of these departments' members; an internal auditor, for example, stated that ERM does not contradict their department's goals and activities.

> Risk is inherent in control work as ERM or RBMC does not bring it inside. It is there already and always has...Risk management doesn't mean you solve the problem after it happens. It's about being proactive and taking measures to prevent this risk. I prevent money being stolen from the treasury and frauds in the cheques cycle. I try to prevent issuance and claims manipulations, etc.

Another internal auditor explained that ERM's main assumption is that risks affect each other and should be managed collectively must be in the control system all the time, as any failure in a part of the internal control system may lead to errors and frauds, which represent risks. Consequently, the internal auditors' role complements the ERM team's, so no contradictions between their objectives and internal auditing practices exists.

> Any failure or insufficiency in the control system could lead to errors or fraud risks. My role is to reduce this possibility by adding more control steps or procedures to prevent system failure. So I complement them [ERM team].

The compatibility level regarding the imposed logic and its material practices was high with ERM supporters and low with opponents. Having supporters and opponents affected lower layers as some opponents are very powerful and influential in the company's everyday practices. By this I mean the CFO and CUO, who are mainly responsible for producing policies and recording polices' financial effects in everyday transactions. From this conflict in the organizational level employees at the micro level feel the new imposed logic's centrality but consequently experience an undetermined level of compatibility, which Besharov and Smith (2014) failed to mention in their discussion of centrality and compatibility. An accountant explained:

> Many things changed, including insurance prices and types of risk coverages….Control changed a lot, as they devised new standards for pricing and are very strict in implementing them, especially for car, fire, and burglary insurance.

Another accountant feels that these changes reflect a positive move as the company is advancing and its reserving is better and growing, which makes the company safer and better able to take bigger, riskier transactions.

> Our reserves were growing slowly, but now they have changed very much.

This undefined level of compatibility happens primarily because opposing parties sometimes give contradictory orders, leaving employees at the micro level puzzled. Sometimes they follow the new procedures and make the ERM team happy, though their manager is not happy; other times they do (and cause) the opposite. In institutional logics terms they felt their identity becoming lost amidst this and felt confused because of the heterogeneity and contradictory orders. A junior accountant was similarly confused about ERM's inconsistent needs.

> He [risk officer] looks through almost all my accounts and asks for different accounts each time, so you don't know which account he will ask for. Is it the same as last time or will he change? Also, the periods he ask for vary from time to time… you simply don't know how to help him.

An internal auditor added that people are so far not convinced why we should move to RBMC and no one is explaining this to them properly, so poor communication is a big part of the problem.

> What's behind it [ERM]?… I'm not convinced with what was said...There is no decent reason.

Another internal auditor said (see quote below) employees at the micro level should be more connected to the new system as all the information about risks should be collected from the micro level then analyzed. Also, risk actions should be implemented by employees not managers, but as poor communication prevails micro level employees feel detached. This increases the gap in understanding and makes implementation harder as employees say it is us not management who will implement it and they question why management is not properly engaging them in this process.

> Who will implement it [ERM] – them [top management] or us? Sure us And we don't know or understand what they are talking about.

An accountant added that contradictory orders cascading from the opposing blocs make people hate the new system more and feel lost, so they prefer what they know. Their mentalities resist these new concepts and they don't think about them.

> This strange system and its contradictions make the people desperate of thinking about the change. Why should we have to think in this[change and new processes].

The ERM team initially thought they had successfully made the new logic available and accessible, so it would be easy to activate it. However, they made it available but not yet accessible in employees' mind. They actually later admitted this and realized it takes time to make this new logic accessible because the people have a cumulative culture that trusts the old system and they like this system so adhere to it more than the new logic. This decreases the newly imposed logic's compatibility level rather than it increasing by ERM trainings to socialize the new ideas and encourage employees' and middle managers' involvement. A risk officer clarified:

> The problem is that we have so many staff with many accumulations…but I feel no guilt in having these...[having] formal control systems that run the full operation is crucial. But who plans and implements the system? It's simply humans, so the system and staff are the two main factors in company risks, so we can conclude…that all the business units have operational risk. Also, operational risks are subjective so very hard to measure.

Compatibility deteriorates with the opposing party includes top management members – the powerful people for lower level employees and the influential ones in daily operations. Every day they deal with underwriters, the budgeting team, and the finance and investment departments, but not the ERM or reinsurance team. Anyway, internal auditors are there whether with or against the ERM – they make their reviews then leave. Even if their procedures are changed employees would consider this an internal audit issue relating to the ERM team. Compatibility consequently moves from being undetermined into low compatibility levels.

ERM is an imposed logic and professional bodies are connected to its implementation (e.g. reinsurance companies, rating institutions, IAIS, EFSA, and IFE); this tempts low compatibility because all their requirements will not be satisfied by the same procedures. This vague compliance situation decreases the compatibility between such organizations' requirements and what the case company is actually doing. In addition, as the relationship between the ERM team and other departments still involves top down orders without socialization processes to transmit the new risk culture, contestation at the individual level between the new and the old logics those people are carrying and adhering to happens (Besharov and Smith, 2014). As Chapter 6 clarified, monologic controls involve much interdependence and personal ties at the micro level, so new formalities create a low compatibility situation with employees' internalized routines, logics, and way of life.

To conclude, ERM-related logic is highly central at all levels of analysis, but management is divided over compatibility. This caused disputing blocs at the organizational level, but supporters wanted to create new professional identities in the people to facilitate the new logic's implementation. The management division, logics contestation, and complexity indeed produced an identity crisis at the micro level of analysis as the organizational level cascaded conflicting orders and symbols, among other things. This produced anxiety, fear, poor connection, and feelings of losing identities, seemingly rendering the people ready for this new identity. However, what was intended never happened. The next chapter explains how the feeling of losing identity actually yielded cultural resurgence to protect it via a clash of civilizations. This cultural resurgence produced a geopolitical shield that disrupted what the micro level community felt unnecessary for them – the new control procedures.

7.5 Chapter Summary

This chapter explored how ERM and its logic were imposed on and transplanted into XYZ, producing heterogeneity and complexity both in practices and in logics. It addressed how the transplantation process produced low compatibility and high centrality and thus a contested context in XYZ. The chapter therefore clarified and evidenced the conflicts and contestation ERM had with the old coexisting logics under monologic controls.

The chapter first described how ERM was imposed and forced on XYZ's top management by many parties, including the Egyptian government and many international institutions like rating institutions and reinsurance companies. From these external pressures, the chapter clarified the company's structural changes from these pressures but also changes in cognition, symbols, and authority sources.

Next, it illustrated how the imposed logic represents a source of heterogeneity and complexity in both practices and logics. This heterogeneity was unveiled through analyzing the ERM team's interventions throughout the company including in reserving, reinsurance, pricing, and budgeting. The heterogenic practices produced were detailed, showing how these practices and related symbols led to institutional complexity as staff became carriers of contradictory orders. This gave them feelings of losing their identity, which could have happened if this was not resolved or counteracted.

Finally, by mobilizing centrality and compatibility the imposed heterogenic logic was found to be highly central in all levels of analysis (Macro, Meso, and Micro).

Compatibility levels differed from level to level and even within the same level. The macro level had high compatibility while the Meso level reported two contradictory opinions as some find it highly compatible but others see it is having low compatibility. These differences leave employees in the micro level confused, which amplifies feelings of alienation and losing one's identity.

The feeling of losing one's identity generates cultural resurgence to protect micro level identities. This also protects monologic controls and disrupts cascading ERM by activating a geopolitical shield, as discussed next. In short, the next chapter clarifies what happened after this complexity and such identity issues, and how the company's micro level community filters complexity by protecting monologic controls.

Chapter 8 Geopolitical Protection of Monologic Controls

8.1 Introduction

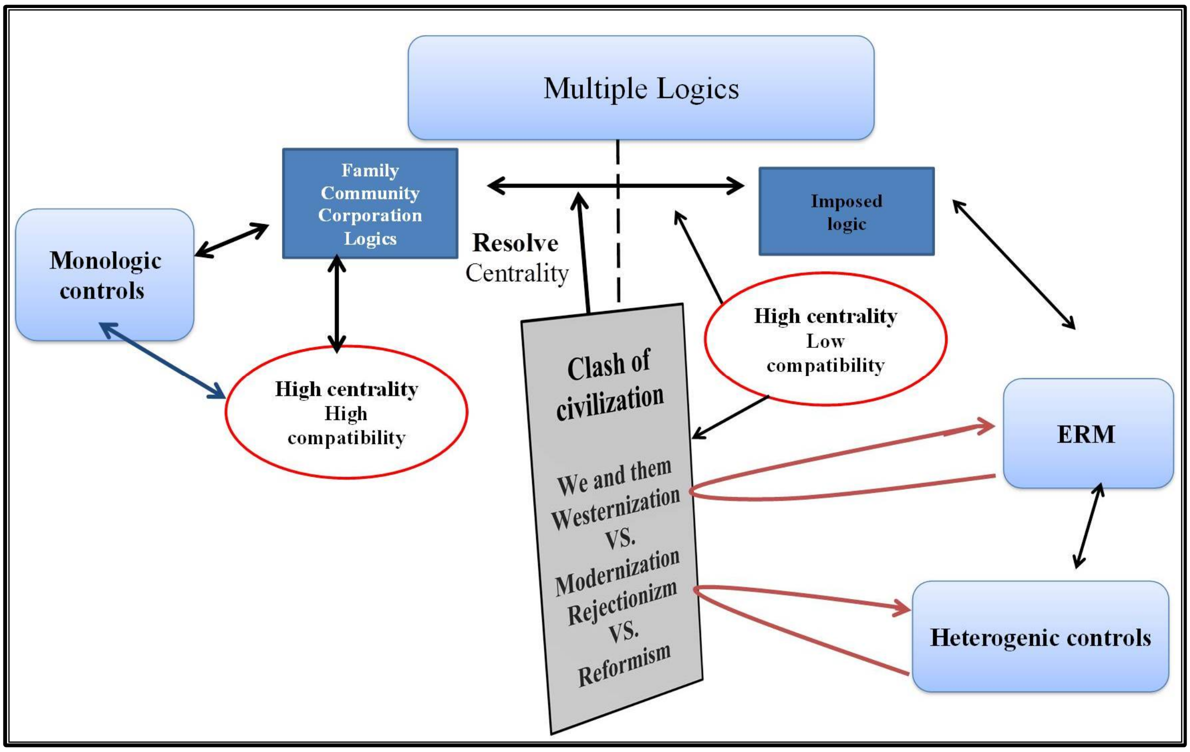
The preceding chapter discussed how imposing ERM involved changing cognitions, symbols, sources of authority, and mundane practices. It concluded that these massive changes produced institutional complexity and management division at the organizational level, severe contestation between logics, and lost identities at the micro level (see section 7.3). It also highlighted how ERM-related logic has high centrality and low compatibility with the old logics (see section 7.4), which produced a “Contested” context wherein maximum competition between logics exists.

This chapter explores how ERM complexity, logics competition, and lost identities incited cultural resurgence to protect identities at the micro level. Protecting identities will be discussed regarding forming a geopolitical shield against ERM practices. In other words, this was constructed to protect mundane monologic controls practices from being transformed to heterogenic. This shield successfully filtered logics complexity. Subsequently, top management realized that the shield represented a community identity construct that they cannot oppose.

Shield choice as staff’s proper reaction will be explained through mobilizing certain notions regarding a clash of civilizations (Huntington, 2002), namely the ‘We and Them’ vision, Westernization and modernization, and reformism and rejectionism (see section 3.5.3) to see how logics complexity and top management building blocs have produced two worlds inside XYZ. The ‘We’ world represents indigenous people and their monologic system; the ‘Them’ world includes Western colonizers and their servants, namely the ERM team and their followers. The two worlds vision offers new meaning to ERM as a new form of colonization and as capitalism’s new way of exploiting indigenous people, which generates resistance. This chapter also investigates a certain community’s geopolitical identity, which was constructed against the logics complexity, and logics contestation related to imposing the new logic. Figure 8.1 below summarizes the geopolitical shield’s activation and its role in separating the two blocs and making them coexist by protecting monologic controls at the micro level.

The chapter is organized as follows. Section 2 describes how the management division escalated through the ‘We and Them’ two worlds forming. Section 3 illustrates how the presence of these two worlds produced new conceptions on the imposed logic and change process. Section 4 discusses the geopolitical shield and its activation, including techniques used and related centrality and compatibility. Finally, section 5 provides a chapter summary.

Figure 8.1 Geopolitical Shield Activation



8.2 We and Them Two Worlds

This section clarifies how management division produced two competing worlds at the micro level by mobilizing the ‘We and Them’ vision (Huntington, 2002). The ‘We’ represents the indigenous people and the ‘Them’ the Western colonizers. This division and the contestation between the blocs affect the communication between the two blocs, and any moves from one side are interpreted through the prism of this contestation, which gives mostly inaccurate, hostile interpretations.

As part of Egyptian society, XYZ has a powerful geopolitical discourse that reflects the clash of civilizations regarding several things: Western ideas in general, especially after the 25 January 2011 and 30 June 2013 revolutions; American and Western interference in Egypt’s internal politics; and the wars America and NATO have had in the Middle East since the early 1990s, which continue today in Iraq, Syria, and Libya. An insurance producer clarified:

> They [the West] say they will try to solve the Arabs problems with Israel…They say they will fight the terrorism that they have made and supported through poverty, corruption, and ignorance. They also supplied weapons to these people after World War II…Who gave the weapons to Al-Qaida to fight the Soviet Union, us or the Americans? They know these are terrorists but didn't recognize this when giving them weapons.

This geopolitical discourse intensifies the feeling that the West is just protecting their own benefits and interests in MENA. An internal audit GM explained:

> Let us think…[about this] logically. Will the Americans think about your benefit or theirs? They may incidentally benefit you but this must not contradict their own benefits…If I were them I'd do the same. I'm not blaming them.

The emergence of two worlds, as Huntington (2002) explained, intensifies the cognition that the West was and still is an enemy, which thus reproduces old identities about standing against Western domination. The colonization era is not yet over – it just has new forms. The West cannot colonize the people in the old ways so they use new ways the post-colonial tools called soft powers Nye (2004). Employees therefore do not feel comfortable regarding ERM and foreign experts interviewing them about their daily lives. As an insurance producer said:

> We felt that they are not experts but are coming to spy on us.

An internal audit GM added:

> We felt a new type of colonization. You can see postcolonial power by these organizations imposing new rules that we must obey and say "Yes, Sir" like the old days. We were also surprised that the EFSA is bringing Americans in and giving them access to all the secrets of the ministry and the market. It is some sort of new informal intelligence work and a new way of spying on our daily lives.

Seeing the West as exploiting makes indigenous people see soft power games differently as, in their view, the Western media is a tool to change people's cognitions and make them dissatisfied about their life. Westernization started from the late 1980s through Hollywood movies and TV series to convince people about the benefits of capitalism. Such Western intervention for indigenous Egyptians represents another way of orientalism, which Said (2003) described as more than the soft powers the American writer Nye (2004) proposed. A reinsurance officer explains:

> You remember in the 80s and 90s when TV series were launched from the West like 'Falcon Crest' and 'The Bold and the Beautiful'. These changed the

> way people looked at life as they see luxurious cars and homes, which they can't afford. Dissatisfaction then starts. You know that not all Westerners have such a good life, but they export this image to you to make you dissatisfied with your own life.

XYZ's staff feel that these Western experts had similar motives by telling the people what their deficiencies were and how they can help them solve these while hiding their system's weaknesses. A reinsurance manager clarified:

> Western experts will not talk about their system's problems but only about ours so they are comparing the bad points in our system with only the good in theirs. They are not saying that they are better than us in some things but we are better than them in others, or even that we are bad like them in this and that. They are always good and we always have deficiencies.

The way Western experts conveyed their message to company personnel and management was instrumental to the emerging 'We and Them' feeling as the experts were tough and not vivid enough. Staff interpreted this as Western arrogance because they have the technology and power. This interpretation hindered people's assimilation as they were neither ready nor willing to receive, accept and act on the message being transmitted this way. Evidently, communication plays a pivotal role in sense making (Ocasio et al., 2015). As a risk officer explained:

> Some Westerners are very arrogant when dealing with us…for example, German…or British experts are very tough and they don't give you space to talk…They were so tough and you feel they don't want to work with you.

Timing is another consideration for "We and Them" emerging. When the West experienced the financial crisis it started imposing ERM. By 2010, Egypt was experiencing great political instability, leading to the January 2011 revolution. Meanwhile, the West was pressing for these changes and cancelled the company's rating. XYZ's personnel interpreted this as the Westerners not caring about the company's suffering. The timing issue brings empirical evidence on one of the logic's main principles – that logics are historically contingent (Thornton and Ocasio, 2008). An accountant clarified:

> I can't say that developing and adapting new technologies is bad…if the country's and the market's conditions were different…in these unstable conditions even if we had the new ERM or RBMC, what benefit would they be in the changing and escalating situations we have every day?

Despite this, some staff of XYZ see how Western rating institutions were not fair with them as Western companies have had time to think about ERM's usefulness before implementing it. LDCs companies were not given this opportunity. This intensifies resistance and revolutionary movements, as an insurance producer clarified:

> If their (the West) methods are not useful for them, why should I have it implemented? When was ERM founded?…beginning of the 2000s…why didn't they apply it before the crisis? Is 8 years not enough to implement it? So, they themselves are late in implementing it, but we must have it and very quickly...Sure, yes Sir. This is because we are a less developed country…right?…they (the West) also appointed themselves Guardian of others. Who gave them this right?…It is not their false, it is ours. We must stand and say no…directly or indirectly.

The Clash of civilizations comes from not only seeing Western projects as bad or exploiting but also seeing the same thing with a different lens. An accountant gave an example:

> I see the market as not too risky until now, because I live inside the country and know what is actually happening, but international reinsurance companies see it as too risky. This is crucial for the Egyptian insurance market. because of this, insurance prices, the transportation of goods, and the security required to insure things like the inland and marine policies were changed.

Differences in interpreting the same reality increased the gap between the two worlds. XYZ's employees expected their Western partners (especially reinsurance companies) – with whom they have a long history – to help them overcome the revolution's problems. Instead, reinsurers put more restrictions on accepting policies from the company so XYZ's staff realized that they are not their partners and Western reinsurers were treating them like a customer. This perception affected sense making and generated hostility in relations between the company and their Western reinsurers. A claim review manager explained:

> I represent a customer for them. It is not a partnership by any means. If my transactions are profitable they will accept them; if not, they will leave me and I'd have to look for another reinsurer...so as long as you have a profitable history with your reinsurer they will give you good jurisdictions, but if the situation changes and their profits decrease they will add new binding factors on your work. If you comply, they continue; if not, they leave you.

Consequently, XYZ's management tried to move to some Asian reinsurers instead of Western ones. However, the Egyptian government and the EFSA will not take this risk in the transitional period after the revolutions. This will affect the total economy rating as the West owns and controls these institutions so now the country and its economy are weak against their pressures. An accountant clarified:

> We though to move from reinsurance in Europe to Asia. But the EFSA pressured us to have these technologies to keep the old connections with the old European reinsurance companies, especially in the UK and Germany.

A claim review manager added:

> When Western partners pressured hard we considered moving to some Asian reinsurers, especially in China and Malaysia, but the problem is that we have little experience with them…so we decided to do what the Westerns asked.

The culture of fear due to post-revolutionary instability was the main driver for both the company and the government. This is why the company preferred to follow EFSA recommendations and tried to implement Western reinsurers' required changes. The company was similarly clearly not ready to move so it complied with Western pressures, but this complicated situation from political instability produced two conflicting opinions. These concerned whether to stay and follow Westerners, or to risk dealing with new reinsurers. It escalated the division between the two worlds.

The next section explains how the 'We and Them' two worlds as a main discourse inside XYZ affected the people's mentality and activated a geopolitical shield against ERM. The clash of civilizations, as the available and accessible discourse, gave new meaning to ERM and RBMC as post-colonial Western tools for changing people's culture, ceremonies, and habits. This activated the geopolitical shield to protect the monologic control system, which for them represents everyday life and is part of their culture.

8.3 Conceptions of the Imposed New Logic under the Clash of Civilizations

This section explains how 'We and Them' as the main cognition and means of sense making gave new meaning to ERM and its RBMC. This new meaning concerns ERM imposing instead of convening massive procedural changes throughout most departments' processes and activities, including reserving, pricing, budgeting, and underwriting (see section 7.3). These changes sought to change employees' habits and culture but were not accepted, especially after the revolutions. A regional branch manager describes how employees felt about and reacted to these changes:

> What they [Western experts] don't know is that we have our habits and traditions which we will not change for them. If they want to change to be like us they are welcome, but we will not change. I will not become like them but if they want to become like us, come and we will let them know how to do so.

Change has been directly tied to cultural change because of both geopolitical ramifications (e.g. ‘We and Them’ two worlds) and hosts’ experience of trials to change their cognitions, symbols, authority sources, and mundane practices (see sections 7.2 and 7.3). Western training primarily aimed to teach and familiarize employees with procedural and control changes, which involved changing people’s cognition, sense making, and values as logics are embedded in practice (Thornton et al., 2012) and, ultimately, to then change their culture but this was misguided. An accountant clarified:

> What they don’t know or understand is that what needs changing is the people’s culture first, not the procedures.

As hosts nevertheless tied ERM implementation to cultural change, this reinforced the ‘We and Them’ feeling and stimulated cultural resurgence to protect their values and habits, which are tied to monologic control practices. Moreover, when most interviewees were asked about ERM or RBMC they started talking about cultural differences and how these tools are not good for them because they (the people) feel different from the West. ERM team members share such sentiments, as a risk officer explained:

> Our market and culture have many variables that make us different. We have much “give and take”, and social relations are mixed in business and formal work…yes, you need new systems…but these systems must fit our country. Don’t bring a system from the UK, USA, or EU as it will not work…tailor something that is compatible with the Egyptian people. We have a different nature…the emotions are very high and affect decisions…Another thing, trust is a very big issue here. In Egypt, everything is managed through trusting people, not professionals or experts.

Relating ERM implementation to cultural change did not emanate from outside pressures only. Management was divided about these new procedural changes and the opposition included the CFO and CUO (see section 7.4). These two GMs are the gatekeepers of the old monologic system and every move inside the company passes by them. To retain their positions in terms of power and status, both tried to intensify the ‘We and Them’ feeling. In doing this, they also connected ERM changes to cultural change. In a meeting with the CFO he stated:

> It is culture then culture and finally culture…so it is very difficult to have things like governance or RBMC implemented in such situations…You need total changes in habits, routines, and traditions. You need to change the generally accepted organizational culture at all levels, which is impossible.

He added:

> It’s a combination of many reasons to stand against governance and RBMC…it may be differences in culture or economic conditions, as a poorly developed

> and unstable economy allows governance of it and new RBMC rules applied on it. It may be instability in laws and regulations, and the massive changes in these recently. To make an RBMC system work you must talk about stability in the economy, regulations, and the political system, which no single one of them is there.

Opposition thus tried to make the implementation process appear problematic by combining many factors against ERM, including culture, political conditions, post-revolution uncertainty, market conditions, instability in financial sector regulations, and the massive changes required that people were not ready for. This is what I personally observed and recorded in most meetings and interviews with regional branches managers and employees. It produces one single idea that the entire Egyptian environment is not ready for such change.

This widespread clash of civilizations thesis and connecting culture to the change process had two results. It increased the role of human factors, culture, habits, and the surrounding environment in RBMC, and it sent a message for Western institutions and reinsurers to accept that Egyptians are different and thus require a different ERM. A regional branch manager clarified:

> They [the West] have new systems, policies, and ideas, but they must work within their environment. The problem is that most staff…are from here, so those bringing this system should also bring deviations from the original system they brought.

As the 'We and Them' and doubts about Western increase they produce another addition to ERM's meaning: a tool for Westerners to ensure their investments are safe in XYZ and other LDCs' companies. Thus, it is a new tool for capitalist exploitation and hegemony. The CRO spread the risk culture and told employees that Westerners need to understand to help us. However, the people cannot accept that the exported and/or imposed Western technology is for their prosperity and benefit. The CRO commented:

> It's great that there is someone there [the West] who is still interested in knowing what is happening here…from when they are?

The answers the ERM team got from company employees and managers made their job more problematic, which is aggravated because most departments and regional branches are closed to them so they cannot penetrate the company's grassroots until they get coercing power from top management. A claim review manager explains:

> Yes, we have an ERM department…but from what I see and hear we don't have it implemented as it should be and it will not be…because there are many blind spots for them [ERM team]. Most departments are closed to them. They are trying to penetrate them but have not yet been successful [laughs].

An internal audit GM added:

> Regarding ERM…they work only with top management as the lower layers do not cooperative with them…So their role in the company is still problematic and most regional branches do not recognize this new management way at all.

Consequently, the ERM team is almost an exiled part of the company, like those who follow them. This therefore includes some reinsurance managers and internal audit department members, and the new Vice Chairman. The people feel they are in the 'Them' world and have been brainwashed by the Westerners. This thinking represents the main unintended consequence of having this project in XYZ. The company now has two worlds inside it with different realities and understandings, different sense making and, in particular, different interpretations about what ERM actually does in the company. A regional branch manager explained:

> The main problem is defining their [work]…I know it controls numbers and operations, but for what purpose? Internal verifications, right? Which means trying to help you modify errors…They should not be undercover detectives who are catching errors and fraud in your work. They should be helping you build a good control system. Here, we have a wrong understanding…they run here and there, check this, run to see that, stop here. This is wrong.

Having two detached worlds inside the company is problematic situation the ERM team must sort. Its main problem is not the objective risks calculated and dealt with like reserving, underwriting, and pricing. Its main problem concerns operational risks like people, culture, and everyday practices. Another problem is that controlling and managing calculable objective risks must be done after managing subjective operational risks as managing objective risks will be done by the same employees who have problems with the ERM now. A reinsurance GM explained:

> Subjective issues…we are good in underwriting, investing, credit, and reserving risks but operational risks for us are a big problem…the ERM manager agrees with me...all other risks are calculable and based on numbers. I know I have some problems with analyzing their numbers but I know what actions are required…the operational risks have two problems. First, they are incalculable. Secondly, they negatively affect the other risks managements.

The ERM team conveyed to top management that opposing people did not understand the new system's merits, are blinded by the company's good statistics, and have no vision for neither the future nor the changing market. It added that they do not want to change the informal system so are defending the old system and trying to make the new project fail. This is dangerous as the company's future is at stake, but an accountant tried to spell out messages from the CRO, CEO and Vice Chairman.

> They see that the company is going well and making profit each year and may increase profit this year, so there is no problem. Moreover, this manager is a friend, a relative…In short, it is a long circle of informalities and it is going smoothly so what is your problem if you are them? Nothing will be regarded as a problem, except if this running wheel [informal arrangements] stops.

The reinsurance GM explained (see quote below) that Western partners and their companies are different from XYZ. In the former, all employees and management members are part of the change process so Western companies could easily implement ERM. ERM is thus a project everyone should participate in, and the ERM team's role is to spread the risk culture and train employees on using related tools. Top management support only is not enough: support from all departments is required.

> What we found in the west is very different. Everyone in the company feels part of the process and has a role in advancing the company…As I told you from the beginning, this is a cultural problem here in Egypt.

The CFO added that the opposition, including the CFO and CUO and their followers, is also knowledgeable about risk mapping and risk assessment as they have been using such tools for technical insurance risks for more than 35 years and know their limitations well. They also extend the subjectivity issue of ERM and risk assessment to include political factors and their effect on operations, the market, and credit risks. As such, they describe the ERM team as blinded because they believe the westerners. The CFO clarified:

> My activities are directly affected by the political situation. We had two revolutions in 2011 and 2013 so increased rates of fires and burglaries. The other big problem is the…recession, which started from 2011. My customers purchase on account but can't pay me because they sold on account and haven't collected from their customers. It's a credit sales loop cycle that never ends…it happens every day yet the reinsurers and rating institutions are pressuring me for RBMC. How will it help me, tell me? I've got no answer as they haven't got one.

The opposing party also sees the ERM team as blinded by numbers and setting targets and prices that cannot be achieved in the current market's situation. The ERM team uses new tools and the opposing party uses old tools so it is a clash of statistical tools and professional identities. This observation came mainly from when I met underwriters and regional branch managers. At the mention of ERM they became hostile and talked about their previous experience in RM. A regional branch manager stated:

> The expert may calculate premiums that I can't collect in the market practically to have a safe policy in one of the insurance divisions, so the expert should know that…you are an advisor in the risk assessment processes and your role is advisory. I may use it or not, so he is like the practitioner. If I felt something was wrong I'd go to him to check, and he'd write the prescription then. I'm free to have the medicine and follow his instruction or not, because it is my health…he sees the numbers but I see the market. There is a big difference.

The opposing party recognizes that any system has its limitation, but they believe the present system is good so why get a new one with unknown limitations, as even the ERM team have not clarified these. They always talk about its benefits but what about its problems. An accountant clarified:

> Any system has inherent problems but we don't know the percentage and breakdowns of these. Is it 50% or 60% that the new system will not totally crash? And we don't know what their actual problems are in practice. Nobody tells this clearly. So, why should I risk a new system with unknown problems?

The clash of civilizations and the two worlds intensified and communicated conflict within the company. This caused cultural resurgence as micro level employees and middle managers produced and activated a geopolitical shield to protect the internalized monologic roles and routines – and hence their culture – from Western invasion. In short, 'rejectionism' happened inside XYZ (Huntington, 2002). However, reactions to the Western project were different at different levels of analysis.

These reactions are kemalism reaction in the macro level (State level), which deems Western impositions as good. At the meso level (XYZ's top management), rejectionism then reformism reactions were reported as top management moved from total rejection to accepting to what they deemed a possible company benefit. At the micro level (staff and middle managers), rejectionism reactions dominated most interviews as employees rejected anything from or related to the West.

At the macro level (as Chapter 5 explained) the Egyptian government and EFSA changed their controlling tools and structures – as their Western partners advised – without ensuring these methods' usefulness within Egyptian society. Huntington (2002) described this as a

Kemalism reaction to Western interference done mostly by the elites who are totally detached from society. Such reactions usually fail as society rejects them and cultural resurgence arises to destroy these projects. If not, the country becomes torn, as does its culture.

At XYZ's top management level (meso level) two subsequent reactions were found (as Chapter 7 explored). At first the company rejected these new procedures, reasons for this reaction was a mix of personal, professional and/or civilizational reasons. An insurance producer explained below that when the ERM and governance project began and foreign experts came in to the company and asked questions managers responded very aggressively towards them.

> The problem was that we didn't understand the reason behind these questions [personal questions] so we gave short, formal answers and hid things from them. We tried to "Nzhalkhom"[10] them as much as possible.

And he added

> We joked internally that the manager, who spends much time with them [Western experts], has sold himself to the Americans and is their spy now and things like this.

After losing the rating XYZ's top management had to have reforms in place so they moved to a reformism reaction as they did not initially accept this project and knew their employees at lower levels would not. A senior accountant therefore said that reformism and tailoring is the best way to get these procedures in place rather than just imitating and following the Westerners.

> If you want to take something from abroad, take what benefits your operations only. We got new things then tailored these to what we need from them. You shouldn't take everything that is imported from abroad. Some might not fit.

Unlike Macro and Meso, the Micro level reaction totally rejected this project, refusing all that came from the West. New blueprints for reform and development must be absorbed by the multitude but should also ultimately benefit them; otherwise, they are new ways of exploitation. An accountant explained that the new risk management tools are ways of insuring, for foreigners, that the company is working okay and that their contracts with it

[10] This means make them upset and not understand anything so they get bored and leave.

are safe. They are not about improving XYZ's operations or profit. Hence, most employees refuse them.

> There is solution for sure. At first, forget about American and Western solutions, and any advice they may give. I will not consider it. It might not be good for us, but even if it is it will contradict with my interests, because…I will not bring something that will not benefit my people. I am conscious of our interests. The nations that have good ethics and morals are the only nations that will keep moving forward.

The next section describes the techniques used at the micro level to disrupt the cascading of ERM and its RBMC apparatuses. It also looks at how activating the geopolitical shield compelled top management and the ERM team to deal with the status quo and try to convince the Western partners that the ERM project will need more time and should take a different shape. Furthermore, it explores how this finding confirms certain assumptions of the clash of civilizations thesis yet conflicts with a key assumptions (Huntington, 2002).

8.4 Geopolitical Shield Activated

The previous section noted how the geopolitical shield's activation resulted from a clash of power, knowledge, and culture, which represents a clash of civilizations. This section clarifies how the geopolitical shield protects the monologic controls from being heterogenic. It also notes the techniques used to protect mundane monologic practices. Moreover, it sheds light on how this shield resolved the high centrality the imposed logic caused (discussed in section 7.4.1). This left the company with low centrality and compatibility levels, which Besharov and Smith (2014) called an 'estranged' context in which moderate conflict helps conflicting logics coexist.

XYZ's employees and middle managers employed several techniques to disrupt ERM's and RBMC's procedural cascading. First, as the underwriters and regional branch managers are knowledgeable about risk assessments and mapping, these technical experts were the first line of defence as they know how to disrupt such cascading of new risk technologies like risk maps and registers. Their first move involved giving the ERM team very abstract information, causing a lack of information at the top level about micro level risks. This rendered the ERM team blind and unable to make proper assessments and mapping because the most important issue in risk identification and drawing risk maps is having rich information about daily activities. Although employees fill risk registers, they did so with abstract or contradictory information so the figures and numbers resulting from the calculations were useless and heterogeneous. An insurance producer explained:

> Internally, no one gives them any information until we get formal orders from top management to disclose this information. I think, you know how the responses to orders will be: formal, short answers.

Secondly, most employees reacted by ignoring the ERM team and their procedures. Employees told risk officers that they will not change their old procedures, adding that they are not interested in their ERM or any new system so get out of here. They therefore fight by showing that they are not interested in what the ERM team want. If the team must do something because of their entitled power, the people say, then do it and leave; if not. they tell them to get out of their office. An accountant explained:

> I'm interested only in procedures, activities, and programmes directly connected to my work. Outside this closed system, I'm not interested…I simply don't care. It's not my business.

Thirdly, employees and accountants promote miscommunication between them and the ERM team. As observed, this was done very successfully as the ERM team are somehow confused about the micro level. This also means they do not know what they should do next. Should they increase their explaining time and get more engaged with the people or will this be useless? A reinsurance GM added:

> I may communicate a piece of information and tell you clearly to please do this and that to avoid a, b, and c, but then you do whatever you do. I'm not saying they do this to not follow what I'm saying…Maybe the workload is the reason for their ignorance or lack of knowledge and understanding, or a combination between [them].

In my observations, especially in regional branches, sometimes miscommunication was not a pretence but an actual problem. When the ERM team had a crucial procedure to implement they do not talk. Instead, they impose the procedure with simple steps to be followed but the reason behind this change is not known or debatable so people must comply without questioning, though later they may understand why. In short, employees' miscommunication is part real and part pretence. One accountant added:

> There is a missing link actually. I'm not joking…there is miscommunication and broken links between us and them. And you get disrupted and new orders without knowing why this is happening, though you may after the storm calms down.

Fourthly, employees sometimes distract the ERM team's attention by asking many questions and causing problems – some real and some made up – to make the ERM team rethink their procedures they want to implement. More problems means more risks. The ERM philosophy is that risks are interdependent, so although they may make an intervention this may cause another or escalate an existing one. This makes them rethink things. An insurance producer explained:

> Make them [ERM team] always busy with other things away from the topic they came for…In other words, if they recommend something, we say sure we will have it as it is a very good thing to have, but right now we have some problems in this and that. Please, if we could…solve these problems, then we could implement it straightaway…so kill time until they forget.

Another insurance producer added:

> Leave small errors like a miscalculated commission, a wrong deduction, a reward specifying type but not person, or the opposite: expenses in a report that should not be in that one. Do these small things, routine errors, but with these two conditions: they must not affect the total operations results, and they don't violate a law that we may be punished for.

Finally, underwriters use their main power as insurance experts as they have their own language and technical issues that the ERM team and even other departments do not understand. This barrier is very useful as the ERM team usually does not understand the underwriters' technical terminology. The claim review GM stated:

> The big problem is that sometimes we…don't understand the technical concepts used in certain insurance divisions like marine hull and…engineering insurance...You remember the land problem that failed down in Cairo subway recently…I personally attended the meetings and discussions between our technical experts and the engineers. I didn't understood…their talk and I was shaking my head only [laughs].

What make these manoeuvres legitimate throughout XYZ is that employees feel they are not doing something wrong or harming their company. On the contrary, they believe that disrupting the cascading of these new imposed procedures and tools represents protection from Western interventions. An accountant clarified:

> All previous years we say yes to them [the West]. And what did we get? Poverty, corruption, and ignorance. So let us try to say no…This is one thing we gained from the revolution by the way.

This reflects the extent to which the people are willing to go against the new procedures to defend their culture and protect their lives. As such, the more the company and its Western partners pressure then the more micro level employees will resist, strengthening the geopolitical shield. Even if the elite get wise to their old manoeuvres, they will devise new ones. A regional branch manager explained:

> We don't want foreigners to interfere. They should give us what they have, and we'll decide if it's useful for us or not. But force us to have it, and we won't apply it. And we'll find a method, a thousand methods, to resist.

As the shield became almost impermeable to certain methods, the ERM team used social relations again to break the status quo lower level employees are maintaining. A reinsurance GM explained:

> We see the numbers while they see the market…[so] I can't blame them as they have targets to meet…maybe if they totally follow the new procedures their customers are lost…they will come at the end of the year and say you made them go, not me. Don't ask me to get targets with bad prices. So they refuse orders by choice, not ignorance. To achieve required targets and for commercial considerations. They know the local market better.

This change in top management mentality occurred for various reasons. First, no system is without inherent risks. The ERM team identified the operational and subjective risks related to ERM as inherent risks they currently had no time to alleviate; they can deal with these only after solving objective risks like reserving and underwriting risks. An internal audit GM explained:

> You still have inherent risks so let's be honest you can't eliminate all risks. You just try to decrease their frequency and try to live with them. Nothing is perfect: perfection is only for god and we are humans so we have deficiencies but we try to manage inherent risks however we can.

Secondly, the ERM team and top management discovered that many departments' GMs and regional branch GMs are encouraging employees to do breaks in the new system. This is a difficult problem they cannot address as firing all regional branch GMs and some department GMs for procedural errors is not feasible. Also, they are not committing financial violations or frauds, do achieve sales targets, and do make good profits. The reinsurance GM discussed explained:

> The problems go beyond [ERM]. It is inherent in Egyptian culture and its business management environment...even if you changed the system, the people and culture would resist and even destroy imposed new system…if this is not possible formally, they'll use employees in other departments and do it informally. Departments' general managers actually encourage this…If an underwriter found a weakness in the system, the general manager asks this employee to teach his colleagues it.

Therefore, the company will not implement these procedures successfully unless employees and middle managers understand their importance and accept that they are not about what they perceive. Or, a changed political situation would alter geopolitical reactions to the new Western blueprint. This contradicts Huntington's (2002) assumption about the rejectionism reaction always failing because it is impossible in the modern world to stand against new technologies and detach oneself from the West. Here, top management was compelled to make reforms but these reforms are disrupted from cascading to the company's grassroots. An accountant clarified:

> Nothing will work except if they [multitude] want to have it, all through love. As I told you from the beginning, write everything with love and personal relations.

As top management realized that their pressure escalated rather than solved the problem, they set about convincing their Western partners that ERM implementation involves much heterogeneity all over the world, incorporating personal and cultural factors. Therefore, they cannot say XYZ is not having ERM; instead, they should understand that XYZ must have its own ERM. As an underwriter explained (see below), academic research commonly discusses heterogeneity in ERM implementation; hence, the ERM team and top management promoted differences in and unique aspects of XYZ's ERM. As the political and economic situation was not stable, the main message transmitted to Western partners was to concentrate more on insurance objective technical risks and those in the specific market. Until the country's situation is settled, they must concentrate on solving operational subjective risks. They made good progress in objective risks like reserving and underwriting.

> There is a human aspect and changing situations surrounding implementation so it will not be like the books. I have but in my own way, or I have as I see I should have. We can't say we haven't got RBMC or governance in place, as we have…but with another way of implementation. We have our technical risks and we see it is more important for our company than the new risk management for the time being.

Geopolitical shield activation resolved the high centrality level related to the imposed logic, especially after top management decreased its pressures on micro level employees and sought compromises with Western partners. XYZ thus has low centrality and compatibility, producing an “estranged” context where moderate conflict exists (Besharov and Smith, 2014). And as noted, top management, the ERM team, middle managers, and employees are recognizing the importance of harmoniously coexisting and having more negotiations with Western partners.

This conclusion contributes to institutional logics studies by showing that multiple competing logics can coexist. Also, one logic does not necessarily eclipse the other(s) to resolve contestations between logics as many studies proposed (Ezzamel et al., 2012; Vit, 2011; Reay and Hinings, 2009). The evidence is in this story, where multiple competing logics coexist and not one eclipses others as low levels of centrality and compatibility are in place.

8.5 Chapter Summary

This chapter explored how the micro level geopolitical shield was formed and activated, and how activating this shield moved XYZ from a contested to estranged context through replacing high centrality with low centrality and compatibility where moderate conflict exists. The chapter first described the ‘We and Them’ two worlds that stemmed from the Egyptian revolution and indeed spread to XYZ. It then described how these two worlds produced new meaning for ERM (i.e. capitalist tool of exploitation) and clarified how this new meaning yielded cultural resurgence and the geopolitical shield’s activation.

The chapter then illustrated how the geopolitical shield’s activation protected and preserved internalized monologic roles and routines. The shield decreased the imposed logic’s centrality, which in return produced low centrality and compatibility levels between logics. Resolving the centrality problem enabled the competing logics to coexist. Consequently, top management accepted the status quo, especially as they found the geopolitical shield for protecting monologic management controls to be so strong. They subsequently contacted Western partners for negotiations regarding XYZ’s ERM as a new heterogenic way of ERM implementation.

Chapter 9 Discussions

9.1 Introduction

The previous chapters analyzed how and why RBMC's heterogenic practices were opposed in the grassroots of a geopolitical periphery using an adapted version of institutional logics' notions of competing/coexisting logics. They concluded that practically RBMC implementation entails management division and heterogeneity in MC practices, while theoretically it produces institutional complexity, logics competition, and lost identities. Furthermore, when these dynamics affected Egypt's community geopolitical identity it yielded a geopolitical shield to protect individuals' identities from being lost. Accordingly, this communal geopolitical identity filtered such institutional complexity, representing a new lens for these people's subjectivity.

This penultimate chapter recaps this work's findings and discusses institutional complexity, community identity as a filter for change, and geopolitical implications at organizational and micro levels. It explains the role of geopolitics of institutional logics (see section 3.5) (Huntington, 2002; Thornton et al., 2012; Besharov and Smith, 2014) in producing a geopolitical shield against RBMC practices in XYZ, the case study company. It does so in four main sections.

Section 9.2 discusses how RBMC produced heterogeneity in practice and complexity in the prevailing logics, as imposing ERM exposed actors to a constellation of incompatible logics (Goodrick and Reay, 2011; Greenwood et al., 2011). Through recapping the analysis and connecting it to RBMC literature, this section explains how the emergence of logics complexity has unintended consequences. Such consequences materialized in RBMC practices, which – along with their consequences – then confirmed or contradicted earlier RBMC studies (e.g. Bhimani, 2009; Mikes, 2009; Woods, 2009; Arena et al., 2010; Fischer and Ferlie, 2013; Huber and Scheytt, 2013; Jordan et al., 2013; Soin and Collier, 2013; Tekathen and Dechow, 2013; Soin et al., 2014).

Section 9.3 discusses community identity as a filter for the institutional complexity resulting from RBMC practices changes (Kodeih and Greenwood, 2014; Lee and Lounsbury, 2015). In so doing, it explores traditional meanings of community identity but also how this study adds the geopolitical shield to it as a filter for such complexity. Section 9.4 explains how geopolitics, as a theoretical lens, represents new way of approaching and explaining subjectivity. In doing this, it refers back to certain radical MAC studies (e.g. Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Hopper et al., 2009) to explain how the geopolitical lens contributes to this early theorization of subjectivity. This section contends that geopolitical understandings of subjectivity extend radical MAC studies by introducing a new dimension to subjectivity.

Finally, section 9.5 concentrates on the model of analysis deployed in this work, namely the geopolitics of institutional logics (see section 3.5). It explains how this model extends each of the two theories to meet each other (i.e. institutional logics and geopolitics), and what sort of additions this triangulation made to both logics and geopolitics. Moreover, it clarifies that either of the two perspectives was to be very thin as a standalone theory to capture the complexities of XYZ and its context.

9.2 RBMC's Heterogeneity and Complexity

The current study's analysis clarified how imposing RBMC in XYZ produced heterogeneous MC practices by changing the mundane monologic risk averse control practices to risk laden procedures and actions. In previous RBMC literature, RBMC similarly supports heterogeneity in MC practices (e.g. Power, 2009; Arena et al., 2010; Fischer and Ferlie, 2013; Jabbour, 2013; Tekathen and Dechow, 2013). What the current study adds, though, is how this heterogeneity produced institutional complexity and logics competition during the transformation.

Institutional complexity production was partly explained implicitly by earlier studies where ERM produced heterogeneity by hybridizing practices (Fischer and Ferlie, 2013; Miller et al., 2008). In the case company this involved changing cognitions, sources of authority, and agreed on symbols by hybridizing monologic tools like budgets with risk maps and BCAR programme (see section 7.2 and 7.3). These massive changes in practices, cognition, and symbols hybridized logics, which are embedded in material practices (Thornton and Ocasio, 2008; Thornton et al., 2012). Hybridizing the new logic with existing logics without proper gradual transitions caused institutional complexity, because logics as sources of references contain inherent incompatibilities and conflicts (Friedland and Alford, 1991), which may lead to complexity (Greenwood et al., 2010; Greenwood et al., 2011) if actors cannot deal with these conflicting orders through institutional ambidexterity (Jarzabkowski et al., 2013).

Indeed, XYZ’s management failed to solve the complexity issue through common strategies like negotiations and compromises (Oliver, 1991). Logics competition and complexity caused division and thus two separate blocs inside XYZ formed. Moreover, as logics competition became increasingly intense, logics contestation transferred to real battles within contradictory activities and orders – not only at top management level but also for micro level employees. Thus, instead of transferring the new risk culture and corresponding knowledge (Power, 2007; Mikes, 2009; Jabbour, 2013), XYZ’s RBMC cascaded competition, contradictions, and complexity.

This had unintended consequences. While management became divided and engaged in real battles over resources and actions, micro level staff experienced lost identities. These feelings increased institutional complexity at the micro level, but urges for quick solutions or contestations in logics usually lead to organizational demise (Reay and Hinings, 2009; Tracey et al., 2011; Vit, 2011; Ezzamel et al., 2012). So, in XYZ it was the geopolitical shield – the micro level community’s reaction they made to protect their identities and resolve this complexity – that was the proper solution and main unintended consequence.

Although heterogenic controls, blocking, and complexity continued at top management level, the shield disrupted the cascading to XYZ’s grassroots. Moreover, the more company top management and Western partners tried to force such cascading, the more the geopolitical shield strengthened (see section 8.3 and 8.4). This opposes what Soin et al. (2014) concluded in their study of UK universities where RBMC tools were cascading to the studied universities’ grassroots. In my case, cultural change and the clash of civilizations discourse shield disrupted the cascading. Shield activation in the micro level not only successfully hindered RBMC and its apparatuses but also protected monologic controls from becoming heterogenic.

Despite this contestation, complexity, and the shield, XYZ regained its rating (see section 7.3.1). Western rating institutions were fascinated by the figures and numbers from the proposed BCAR, new reserving tools, and ratios. This suggests that depending solely on calculative culture is dominant so this without considering subjective aspects of risks is not the right reaction, as Mikes (2009) highlighted. My data suggest that assessing the company this way produces unrealistic risk mapping and assessments not only for XYZ’s ERM team but for the Western rating institutions and reinsurers. This new dimension and evidence about RBMCs unintended consequences should be studied in detail, because aligning and realigning risks based on numbers and actuarial statistics in this case company produced more complexity and abstracted information. This conclusion concords with Tekathen and Dechow’s (2013).

The current study’s analysis also supports other earlier assertions in Western RBMC literature. For example, ERM and its RBMC procedures are moving towards standardized procedures and box-ticking compliance (Power, 2009) to satisfy rating institutions and reinsurers, giving “illusions of control” by creating internal feelings of security because risks are managed to satisfy external stakeholders (Otley and Soin, 2014; Soin et al., 2014). ERM thus moved from seeking better control to obsessing with efficiency and effectiveness for broader ‘security about the future’ (Lowe and De Loo, 2014: 240).

Such moves increase fears about making mistakes in organizational settings as “notions of permanent progress” (Lowe and De Loo, 2014) stifle and restrict organizational behaviour and offer little manoeuvring spaces – simply risk of controls as the controllers are blindly bounded by RBMC (Collier et al., 2007; Berry et al., 2005). This obsession neglects the important ERM limitation of operational risks (arising from people’s actions, systems, and internal processes) at the expense of greater appreciation for external risks only. Operational risks need more control than more quantification and risk technologies, as was apparent in COSO’s (2007) review of its own conceptual frameworks that stressed the importance of risk controls in achieving organizational objectives.

By analyzing the broader macro context and how and why ERM was imposed on XYZ the current study confirms certain claims about RBMC transplantations and obsessions with risk representing reactions to growing fears within the risk society (Beck, 1992; Giddens, 1990). These fears emerged soon after the financial 2008/2009 crisis (Power, 2009). My analysis demonstrated that ERM transplantations are part of a new wave of governance reforms that started in the early 2000s after the financial scandals; what intensified the need for solvency II rules and further changes was the 2008/2009 financial crisis. This conforms with Bhimani's (2009) theoretical claims about interdependency between governance, control, and RM. It also adds to the debate about how this interdependency justifies heterogeneity in practices and complexity in prevailing logics.

The produced hybridity and the geopolitical shield are other unintended consequences mentioned in the RBMC literature. For example, imposing RBMC in a geopolitical periphery produced fear, anxiety, and defensiveness, not from standardizing MCS (Otley and Soin, 2014) but from Western interference, especially after the revolutions.

Nevertheless, such specifics often differ across places. Hence, individuals, organizations, and organizational contexts are neither independent nor completely programmable, as different backgrounds, learning, and cultures make managers and people feel risk differently, which their reactions reflect (Harris, 2014). Also, while risk management techniques or practices are in place, it may be tempting to ignore some risks because they already seem to be accounted for (Soin et al., 2014) but all depends on culture, background, and learning. The current study's analysis reported that RBMC in this context differs practically from reports in Western studies (e.g. risk based budgets were formed, and RBMC was resisted)

Finally, the complexity, heterogeneity, and geopolitical shield discussed herein vary from ERM conceptualization reported in Western studies. The Egyptian context's geopolitics gave ERM a different meaning because of cultural differences (see section 8.3). This meaning guides how ERM viewed, as in all ERM writings it is to be regarded as win/win game (Mikes, 2005) while in XYZ it was win/lose game. This conception was a main reason for the geopolitical shield's activation as the shield was produced to stand against western domination and capitalist exploitation that ERM represents. Furthermore, the current study extends and adds to Fischer and Ferlie's (2013) study about resistance to hybridization in clinical practice. They reported resistance to rule-based RM by the Ethical RM but did not discuss what happens after such resistance. The current study's analysis thus extends such research by evidencing the pressure's coerciveness, especially when XYZ resist, but also how the geopolitical shield stood strong against this immense Western pressure and filtered the complexity related to the change.

9.3 Community Identity as a Filter for Change

This study sought to unmask individuals' social and political identity in the form of how XYZ's staff are influenced by culture, norms, identity, and laws through sharing a physical location. In this sense, describing EIS's geopolitical ramifications (Chapter 5), XYZ's profile (see 6.2), and the geopolitical protectionism of monologic controls (Chapter 8) articulated how and why place-bound features of XYZ's community and the broader EIS share structures such as markets, types of public policies, relational systems and networks, history, tradition, and even physical geographic factors, which all significantly influence organizations and individuals (Thornton and Ocasio, 2008; Marquis and Battilana, 2009).

Individuals have multiple social identities, both in terms of group or category membership and in terms of identification with particular social roles. These professional and occupational identities, group and role identities may overlap. When they do, not all identities are equally available or accessible to social actors (Thornton et al., 2012). As Chapter 7 clarified while examining the relationship between identities and goals, not all goals are congruent with social actors' identities. Conformity to regulative forces and avoiding normative sanctions also activate social actors' adherence to specific goals in cases where actors do not identify with prevailing logics or social identities. Despite this, geopolitical compulsion plays a pivotal role in determining which identity becomes the salient or dominating one.

Different social identities have recently been viewed in logics studies as being part of community roles and reactions (e.g. Greenwood et al., 2010; Lounsbury, 2007; Marquis and Lounsbury, 2007; Marquis and Battilana, 2009). Such studies often centre on how factors such as identity, value, and tradition increase community members' commitments to a particular geographic community (Marquis and Battilana, 2009; McPherson and Sauder, 2013). This way of studying community effects is not enough to capture the complexity of how a community's common beliefs and understanding could affect logics understanding, practices, and instantiations. As such, Lee and Lounsbury (2015) consider the profound role of community differently as they stated:

> We argue that different kinds of community logics not only facilitate different kinds of organizational behaviour but also enable different orientations to move towards broader field-level logics. To wit, we argue that community logics can also act as a filter for actors in a community to interpret and respond to pressures emanating from wider field-level logics. We theorize how the values and ideas of actors underlying different community logics can enable synchronization with different kinds of field-level logics that have compatible underlying values and ideas, facilitating the creation of different constellations.
>
> (Lee and Lounsbury, 2015: 848)

The current study responded to Marquis and Battilana's (2009) call for a revival of community level analyses into institutional theory because it is the only way to account for organizations' localization. Their need concerned how a community's main values and identities directly exert a regulative influence on organizations and how a community's main direct influence is through "social-normative" factors. These factors are built through very basic local relational systems in certain communities, which shape different standards of appropriateness across communities (Marquis and Battilana, 2009).

Although recent studies emphasize institutional logics' multiplicity and competition among them (e.g. Reay and Hinings, 2009; Greenwood et al., 2010; Greenwood et al., 2011; Ezzamel et al., 2012; Besharov and Smith, 2014), how some institutional logics become prioritized over others in shaping organizational decisions is undertheorized (Lee and Lounsbury, 2015). The current study proposes geopolitical community identity as the filter for determining which logic(s) is prioritized. Hence, when ERM was imposed, its logic was very highly central like the old existing three logics (see Chapter 7). However, the geopolitical compulsion refused to embed this new logic and refused to allow some of the old logics to override the others. For example, it did not allow formality to override informality. In institutional logics terms it stopped corporate logic from overriding family logic, as they are both equally salient for community members.

This work supports Lee and Lounsbury's (2015) argument about a community having not only direct effects through its social-normative capabilities but also indirect effects by filtering organizational reactions to broader field-level institutional logics. Accordingly, community identity can amplify or dampen the influence of broader field-level logics. The role of identity resurgence as a response to escalating institutional complexity was apparent in this work as it protected the monologic controls' related logics and refused and dampens RBMC's related logic. This also suggests that community identity as a filtering tool can help resolve complexity, as Kodeih and Greenwood (2014) highlighted in their examination of identity responses to institutional complexity. My results found that only through the geopolitical identity of XYZ's micro level community was RBMC related complexity resolved.

Focusing on community actors and beliefs can add rich and unique perspectives on the dynamics between organizations and field-level actors as well as logics. However, as noted previously community logics may vary substantially across geographic communities (Greenwood et al., 2010), though not in my data analysis as the 30 regional branches in 28 different cities experienced the same movement against RBMC. This, however, was simply because they share the same geopolitical compulsion and this was strong enough to unite them against RBMC heterogeneity and complexity.

The community as a resisting force to unwanted logics is not new. Marquis and Lounsbury (2007) showed how strong community logics enabled local banking professionals to resist pressures from field-level market logics promulgated by national banks, and then create new community banks to preserve a community logic of banking. But what my study adds is the geopolitical compulsion and how it can construct a united identity for a community that exists in different cities and how this geopolitical collective identity can filter institutional complexity.

Concentrating on community values, beliefs, and identity but also how these can affect MAC construction and practices is crucial for studying MCs' everyday practices. As Burns et al. (2003: 46) state:

> Management accounting change should be accompanied by clear explanations of why it is taking place, and they should encompass everyone in, or affected (either directly or indirectly) by, the process of change. Otherwise, the existing taken-for-granted assumptions are likely to remain unchanged, and thereby create conflict and resistance that can ultimately lead to the failure of the programme of change.

Finally, the current study, like Lee and Lounsbury (2015), does not propose a universal model of how community logics filter other institutional logics, because this depends on the social issues in the context studied. Instead, community logics have a primary influence in fields or for issues where local geography is a pressing influence on decision making. Consequently, what the current study proposes is the importance of community identity, which – if there is a consensuses between the surrounding communities' identities – can work as a filter for logics complexity. Here, 30 regional branches' communities united under geopolitical compulsion.

9.4 Geopolitics as a New Lens for Subjectivity

Radical MAC scholars often challenge prevailing MC conceptions by highlighting the problems and issues related to capitalism rather than offering prescriptions for designing better systems (Wickramasinghe and Alawattage, 2007). Moreover, such work must acknowledge the complex interactions between MAC and its contexts (Neimark and Tinker, 1986). To a great extent these points note major successes for the current analysis. The main issue throughout the analysis chapters was the struggle that surfaced from imposing a new tool of capitalism, ERM, in an LDC. The current study proposes that the geopolitical lens should be mobilized in such situations to see subjectivity differently. This section therefore clarifies how geopolitics represents a new lens that extends many issues of radical MAC studies.

By analyzing the geopolitical shield produced against RBMC, the current study highlights the failure of capitalism's new tool (ERM) in controlling XYZ's employees, which supports other radical MAC studies (e.g. Hopper et al., 2009; Hopper et al., 2012). Furthermore, through the geopolitics of institutional logics this work echoes issues relating to the influence of structural factors such as politics (Uddin and Hopper, 2001) and culture (Wickramasinghe and Hopper, 2005) in shaping implemented MCSs within LDCs' organizations.

Using the geopolitical lens, this work explained how the geopolitical compulsion revealed the underlying meaning of ERM to be a new capitalist tool. Unlike certain traditional MAC studies that revealed how MCSs are perceived as helping capitalists accumulate capital rather than increasing the efficiency of manufacturing processes (Hopper et al., 1987), the current study says RBMC plays this role and the monologic controls are felt to be innocent from helping capitalists accumulate capital, which is why XYZ's employees tried to protect this monologic tradition. Here, protection prevents the Western capitalist mode of production, exploitation, and hegemony from being materialized in the company's micro level. Accordingly, RBMC is not considered a reaction to changes in the world's economic affairs but a possible source for generating struggles and conflicts between capital and labour, which reflects many radical studies' conclusions (e.g. Cooper and Hopper, 1987; Hopper et al., 1987; Hopper and Armstrong, 1991; Baxter and Chua, 2006; Wickramasinghe and Alawattage, 2007).

Furthermore, a clash of civilizations clarified how the We and Them two fighting blocs represent a new sort of class struggle. The We represents the community members who resist capital domination and hegemony, or in Marxist terms the "Proletariat". The Them represents the bourgeoisie – the capital agents who facilitate and support capitalism hegemony over XYZ's operations. A class struggle under the geopolitical lens is different from those in the old/new Marxist studies. In the former, the We (resisting bloc) contains some top management members who share the same concerns employees have about Western interference in the company, though traditionally such managers were deemed capital agents who pressure and facilitate the capital control of employees.

As Chapter 8 clarified, the We bloc sees ERM as a new deskilling tool that wants to subsume technical insurance risks, underwriting, reserving, and reinsurance under the umbrella of RBMC, which caused professional conflict and identities to rise. In contrast, the Them bloc sees the need for collective risk management instead of the silo analysis that if continues it may lead to danger (i.e. ERM instead of traditional insurance risk management). The different RBMC definitions played a big role in the class struggle construction and activation. The geological lens adds much to the analysis, even showing how Them bloc participants facilitate capital domination but possibly do so unwittingly as they may actually feel they are helping the company respond to structural pressures, including political and economic ones. These contradict and conflict with the other structural factor of culture in the context.

The difference in the proletariat formation and reaction emanates from the difference in human agency conception. Under geopolitics human agency possess new meaning that is different from traditional radical studies. Human agency has been discussed under many names in different theories: Foucauldian theorists and some Radicals called it subjectivity; in institutional analysis it was embedded agency; and Giddens (Giddens, 1979) called it duality between agency and structures. MAC studies have two different views regarding human agency (as discussed in Chapter 2). The first, dialectical, considers human agency as being subject to someone or something else through control and dependence. The second considers human agency as human beings' ability to exercise the open, embodied quality of their human agency (Wickramasinghe and Alawattage, 2007).

Most radical MAC literature concentrates on the first type and subjectivity only (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Hopper et al., 2009). Most sociological studies concentrate on the second type – individuals' embedded agency. Studies following the first type regard workers as human agents who are subject to the control exercised on them by capital and as being largely overwhelmed by capital's exercise of power, though this does not mean labour is considered 'powerless' in the face of capital – only that labour lacks the necessary power resources to successfully resist capital's attempts to dominate it. Accordingly, confrontations between labour and capital usually end up with capital winning. Furthermore, these power resources, whenever labour possesses them, are usually attributed to structural factors.

An example in MAC literature is Uddin and Hopper's (2001) study, which explains how control over labour happened through consent in a Bangladeshi company throughout its public ownership period. It involved maintaining an internal labour market; formulating a 'manageable' trade union to control workers but not threaten the company's management team; and by allowing workers to engage in gaming behaviour that granted them false senses of empowerment at the shop floor. When this company was privatized, management failed to implement necessary tools for manufacturing workers' consent. This led to more coercive rather than consensual controls and revealed management's true intentions (domination and subordination of labour by capital). Similarly, when Wickramasinghe and Hopper (2005) evidenced how workers' resistance might shape the implemented MCSs in their studied companies, such evidence was attributed to structural factors such as culture, ethnicity, race, and the rules and regulations governing the capital–labour relations – not the workers' active exercise of agency. This view neglects the possibility of workers being actively involved (through exercising their own human agency) in shaping their own experiences (including the MCSs imposed on them), despite the structural conditions within which they exercise their agency.

Accordingly, most Radical MAC studies' view on agency is a structurally deterministic view that considers agents as mere enactors of their surrounding structures. In contrast, several attempts have been made to deploy sociological theories in institutional research and institutional logics studies (Giddens, 1979; DiMaggio, 1991; DiMaggio and Powell, 1991; Friedland and Alford, 1991; Thornton and Ocasio, 2008). In accounting research several calls for embedded agency conception of human agency were made. Embedded agency will allow for acknowledging the constraining as well as the enabling nature of structural factors to find a middle ground between human agency's two views. Human agency remains a major unresolved issue both in sociological and MAC radical research.

The current work proposed geopolitics of institutional logics that shed light on and value both types of human agency. They also show the powerful role structural factors such as politics and culture have played in (re)formulating MC inside XYZ, similar to what the radical perspective of MAC studies found (e.g. Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Hopper et al., 2009). Moreover, these geopolitics touch and value human's free choice to resist through the embedding of institutional logics and sociological ideas, which concentrate on the human agency. Embedded agency, a meta-theoretical principle of logics (Thornton and Ocasio, 2008; Thornton et al., 2012), in my case clarified how and why culture and politics affect and are affected by people's free choice. Consequently, the geopolitics of institutional logics enabled me to clarify how individuals' sense making, cognition, and actions are influenced by politics, geography, and culture but also to understand how these identities are key players in protecting and sustaining what they felt must remain.

Mobilizing the geopolitics of institutional logics' framework resulted in deviations from other analytical frameworks in MAC literature. In my case study, culture and politics were powerful devices that played a significant role in creating, sustaining, and activating the geopolitical shield which stood against the successful change process (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Hopper et al., 2009). The sociological dimension of agency and how individual identities were connected formulating the community identity that resist Western pressures. The construction of a successful geopolitical shield at the micro level contradicts the common perception that capitalism always wins its battle against labour, and this perception was not the case in XYZ as it failed to cascade because of the strong geopolitical shield.

9.5 Beyond the Analysis: Extending Institutional Logics

This section goes beyond my analysis to focus on how this analysis brought evidence that extended institutional logics' perspective to meet geopolitics. The current study suggests that because of "geopolitical culture" RBMC implementation involves competing institutional logics whereby its opponents fight against it, in this case to protect existing micro level monologic control practices. Therefore, the study concludes that one must see RBMC, especially in places hostile to Western projects like most LDCs contexts, as a geopolitical phenomenon. It entails identity construction and reconstruction owing to prevailing community habits and symbols, but identity construction processes are not always straight forward as they involve political games and manoeuvres.

These manoeuvres have different drivers such as culture protection, power and positional conflicts, inability to understand the hybridity the RBMC blueprint brings, and scepticism regarding Western intentions because of the Middle East's broader geopolitical chaotic situation (e.g. Colonialism, wars in the MENA since 1990s). The study thus concludes that RBMC can be understood differently according to prevailing contextual logics. Despite this, the study acknowledges that RBMC in LDCs has become a pervasive institutional project that makes things governable as well as controversial. Hence, instead of cascading new tools and knowledge that benefit the company operations, RBMC cascaded complexity, hybridity, and conflicting opinions, ideas, orders, and activities, which produced confusion and lost identities at the micro level. For top management, it produced illusions of control, power and positional battles, and professional identities clashes.

Seeing institutional logics through a geopolitical lens adds to institutional logics debates specifically and to institutional analysis debates generally. Recent insights and debates in the literature centred around the role of identity (Kodeih and Greenwood, 2014), community (Lee and Lounsbury, 2015), and politics (Yu, 2013) in filtering and reacting to logics as a higher order that affect people's everyday practices. Through geopolitics, this study combined these insights to analyze how community, identity, and politics together actually form a geopolitical shield that stands against the company's imposed new logic and the work showed how this represent a new way of understanding embedded agency and the duality between agency and structure. This micro level subjectivity can, through the geopolitical shield, reform and stand against prevailing contextual logics and protect what the community feels is their main identity, which should not be changed.

Triangulating geopolitics with institutional logics perspective also adds to the geopolitical debate. In this study extending geopolitics to meet logics enabled me to cascade and mobilize geopolitical, international relations, and macro level concepts and notions to understand the We and Them discourse at the micro level of analysis. This addition to geopolitics is crucial as most of its recent mobilization was done in political science or human geography studies, as Chapter 3 discussed. This was based on the assumption that this direction of theorization should be deployed in the macro or meso level to understand international relations at the national or regional level inside the same and/or different countries. However, extending geopolitics to meet logics has shown how such concepts and notions could be cascaded to the roots of everyday practices and actions.

Consequently, this study has extended both logics and geopolitical debates by triangulating both perspectives in one model of analysis. This model shares many principles with institutional logics' perspective meta-theoretical principles. On the one hand the built-up and mobilized model values the embedded agency, historically contingent nature of logics, and the material and cultural foundations of institutions. On the other hand, the deployed model was mobilized to study institutions at different levels of analysis to understand and highlight how changing the level of analysis can change the prevailing logics. It also shows how they are interacting with each other, producing different reactions like competing, coexisting, or blending. In geopolitical terms this was translated in the analysis as Kemalism, Reformism, and Rejectionism, which respectively represent blending, coexistence, and completion between prevailing logics.

Finally, this extended model demonstrated its ability to clarify and shed light on how competing logics can coexist. This adds to institutional logics' theorization and practice as many previous studies concluded that one logic must eclipse the other(s) to resolve contestation between logics (e.g. Ezzamel et al., 2012; Vit, 2011; Reay and Hinings, 2009). The story theorized through this extended model also added that it is not a must for one logic to eclipse the other(s). Here, as competing logics coexist and no single one has eclipsed the other(s) because low levels of centrality and compatibility are in place. Consequently, the ERM's governance logic is coexisting with traditional monologic logics but in moderate conflict as an Estranged context is produced.

Chapter 10 Conclusion

10.1 Introduction

This research examined the impact of imposing RBMC on monologic MC practices in a geopolitical periphery. Given the dearth of comprehensive attempts to study RBMC as a 'situated practice' in geopolitical peripheries, this thesis introduced the geopolitics of institutional logics framework. This framework was used to understand how community's geopolitical identity can filter logics complexity by producing a geopolitical shield against unwanted imposed logics. Once developed, the model was used to analyze the impact of RBMC transplantation in an Egyptian insurance company (XYZ) in a multi-levelled, theoretically consistent way.

This chapter concludes the thesis. Sections 2 summarizes the work's main arguments and answer the research questions (presented in section 1.5). Section 3 explains the research contributions by linking this work's findings to three study areas: MAC in LDCs, RBMC, and institutional logics. Finally, section 4 shares the research limitations and suggests areas for future research.

10.2 The Research Questions Answered

The current research addressed one Central question and three detailed sub-questions. To justify the former, this section first addresses the latter then returns to the Central research question. The first sub-question was:

To what extent were the traditional controls systems characterized by risk averse and monologic nature?

The conception, evolution, and development of traditional controls were clarified theoretically and empirically. Reviewing MCS's evolution and development revealed that traditional MC conceptions and practices were risk averse and monologic in nature. From previous studies, a working definition of monologic tradition was given as bureaucratic and hierarchical in nature but incorporating people's social and political interactions and involving gaming (see sections 2.2, 2.3, 2.3.1, 2.3.2, 2.3.3 and 2.3.4).

Accordingly, theoretically traditional controls in both Western developed economies and LDCs were risk averse and did not contain any explicit conception of risk management. Hence, MAC scholars' main concerns involved other discourses in early MC study areas, including cybernetics, organizational design, social processes, politics, power, contingency theory, and uncertainty. The only implicit signalling of risk in the literature was the uncertainty handling role of MCSs, as it values pressures from external environments and how organizations should react to these by changing their internal controls.

Empirically, XYZ's controls are monologic and risk averse in nature. XYZ's monologic control tradition contains only well-known traditional MC tools (e.g. budgets, variance analysis, and ratio analysis). These tools were harmonizing but shackling XYZ's 30 regional branches with tight financially orientated controls. As with any monologic control system, XYZ's control system is financially and hierarchically based and allows social interactions and gaming to interact with and sometimes override formal systematic roles and regulations (see sections, 6.3, 6.3.1, 6.3.2, and 6.4). The existence and interactions of formality and informality are well-known notions in studying MAC within LDCs (Hopper et al., 2009).

The reader may feel that all the empirics are about risk management, as the case study was conducted in an insurance company. This issue needs clarifying. The study differentiates between technical insurance risks, which are silo and hazard centric in nature (e.g. fire, marine, and burglary), and the new conception of RM under ERM's efflorescence, which is collective in nature and contains many new types of risk other than the traditional technical aspects of insurance risks (e.g. reputational, operational, credit and financial). This clarification was also addressed in sections 2.4, 2.4.1, and 2.4.2.

The second sub-question of this thesis was:

To What extent do RBMC's heterogenic practices contradict with geopolitical ramifications?

Empirically, in XYZ's context RBMC supported heterogeneity in practice, communication, and cognition, as it tried to change all the symbolic and normative aspects of the monologic controls. This was apparent in strategy change, structural changes in the company's hierarchy; changes in responsibility centres, their roles, and their authorities; changes in calculation and controlling techniques like introducing BCAR and QIS5; and changes regarding the inception of new concepts like IBNR, CLR, and PML. These all came under the new culture the ERM team wanted to spread throughout XYZ's context (see sections 7.2, 7.2.1, 7.2.2, 7.3, 7.3.1, and 7.3.2).

Such massive changes in control procedures and structures were opposed by some top management members in XYZ's main office, particularly the CUO and CFO. These two members especially had reasons for this, including threats to their status, power, and interest as they represent the main controllers of and gatekeepers for the old control system. Nevertheless, the new procedures were not communicated to them well, which resulted in management divisions, as Major and Hopper (2005) reported in their telecommunications case study (see section 7.4, 7.4.1, and 7.4.2).

This division in management – along with structural changes, procedural changes, and strategy changes – left micro level employees with contradictory orders, confusion, complexity, and lost identities. Hence, they were struggling to understand what to do. This situation brought cultural resurgence to protect what these micro level members felt needs protecting. This resistance disrupted RBMC's cascading and consequently stopped monologic controls from becoming heterogenic. Thus, RBMCs changes have not been materialized in the micro level of the geopolitical periphery because of XYZ's employees' hostile reaction (See section 8.2, 8.3, and 8.4).

The third sub-question of this thesis was:

What new insights can be gained about this contradiction from a triangulation of institutional logics with geopolitical community identity?

The current thesis developed and mobilized an extended version of institutional logics to meet geopolitics as the appropriate theoretical lens to understand and clarify what happened in XYZ's context. The need for sociological understanding of risk practices was highlighted in the theoretical debate about Western-centred RBMC studies. The main problem this theoretical debate highlighted was the heavy deployment of Foucauldian ideas and notions that left little room for manoeuvre and resistance to RBMC's pervasiveness. As discussions of the possibility for such resistance are very limited in the literature, the implication is that the aforementioned tool of governmentality is legitimate and controlling people's lives, though my case and a few tacit ones in the literature suggest differently. Accordingly, this plea for the need to return society back through institutional logics notions, which tends to clarify how and why individuals understand and react to new logics in the context (see section 2.5.2, and 3.2).

The decision to extend institutional logics to meet geopolitics emanated from both theoretical and practical empirical needs. Theoretically, it came from gaps in mobilizing institutional logics in organizational studies as logics multiplicity, complexity, and hybridity needed clarifying by including issues like political games, identity, and how geopolitical compulsions could affect community's feeling of self and others (see sections 3.3, 3.3.1, and 3.3.2). Empirically, the need for triangulating institutional logics with geopolitics and how the iterative abductive reasoning processes evolved to create this theoretical model were clarified in the methodology chapter (see sections 4.4, 4.4.1, 4.4.2, and 4.6).

Once developed, the model of analysis was deployed throughout the analysis chapters (6 to 8) to examine how geopolitical compulsion could change how individuals understand and react to RBMC transplantation processes. The geopolitical compulsion and different understandings by XYZ's community members produced and activated the geopolitical shield to prevent Micro level monologic controls from becoming heterogenic. The theoretical notions related to logics were materialized in centrality and compatibility concepts as governing principles for the competition between or coexistence of the field's dominant logics. The geopolitical compulsion related to the 'We and Them' two worlds and the emergence of geopolitical reactions namely "Kemalism, Reformism and Rejctionism" (See chapter 8).

Finally, the general research question of this thesis was:

To what extent are RBMCs differently implicated in a geopolitical periphery's grassroots?

Answering the sub-questions and the discussion chapter (see sections 9.1, 9.2, 9.3, 9.4 and 9.5) clearly show that RBMC was successfully opposed in the micro level of XYZ insurance company. Resistance to this transplantation came through geopolitical reactions to Western domination of and hegemony over XYZ operations specifically and over the Egyptian economy and market generally. Hence, periphery micro level employees resisted and stood against attempted changes to their daily life. How this project was imposed in both the Egyptian market and XYZ specifically has been discussed in sections 5.6, 6.2, 7.2, and 7.3. How and why this imposition caused cultural resurgence and the activation of a geopolitical shield was clarified empirically and sociologically in sections 6.5, 7.4, 8.2, 8.3 and 8.4.

10.3 Contributions

This thesis has made both theoretical and empirical contributions to RBMC, MAC in LDCs, and institutional logics literatures. Theoretically, it has shown how institutional logics by itself cannot capture the real geopolitical dynamics of RBMC's changes in XYZ; the same applies for geopolitics as a standalone theory. Thus, the current research introduced the geopolitics of institutional logics as a new lens for subjectivity (see section 9.4). And a triangulation method that extended logics perspective and geopolitics to meet each other (see section 9.5). This work's contributions will be discussed in three main categories that reflect the literatures to which it speaks.

First, regarding ongoing debates in RBMC literature this work represents an early attempt to understand ERM and RBMC as situated knowledge in an LDC. This attempt was made because the body of relevant literature is Western centric and lacks information about non-Western contexts, though this study also responds to Soin and Collier's (2013) calls to study the social, political, and contextual factors surrounding RBMC. This social-demographic or geopolitical ramification in this study affected the way ERM and RBMC were understood and reacted to.

Another contribution to RBMC literature concerns the theories this work deployed and mobilized to understand this blueprint's consequences. By mobilizing a combination between logics and geopolitics, the study concentrated more on the people's subjectivity and agency but also how they can stand against this new blueprint. Different from ongoing debates that use Foucault's governmentality and dispositif gaze heavily (O'Malley, 2004; Miller et al., 2008; Miller and Rose, 2008; Arena et al., 2010; Huber and Scheytt, 2013; Jordan et al., 2013; Tekathen and Dechow, 2013), the current study represents a crucial shift in the risk literature. Early studies' concentration on the governmentality lens does not entail the existence of resistance nor give ERM more legitimacy as a common working practice for control, though this may not be the case everywhere (Fischer and Ferlie, 2013). Nevertheless, the current study adds to this debate by highlighting the existence of resistance initiatives and the need to prioritize social, political, economic, institutional, and contextual factors rather than technical aspects of MC or ERM.

This study's empirical evidence opposes what Soin et al. (2014) concluded. In their study of UK universities, RBMC tools were cascading to the studied universities' grassroots. Here, such cascading was disrupted because of the cultural change and the resultant geopolitical shield. This work's findings also contradict Collier and Berry's (2002) and Collier et al.'s (2007) results as these studies claimed no risk budgets existed; however, in the case company ERM budgets existed as a hybrid control tool that combined KPIs with traditional budget targets. The empirical evidence supports Bhimani's (2009) theoretical claims for interdependency between governance, RM, and controls. Finally, the shield's production represents another unintended consequence to many others (e.g. risk or controls) reported in the literature (Otley and Soin, 2014; Soin et al., 2014; Lowe and De Loo, 2014; Collier et al., 2007; Berry et al., 2005).

Secondly, the current study contributes to ongoing institutional logics debates by providing empirical evidence for centrality and compatibility determining the presence of either conflict or coexistence between logics (Besharov and Smith, 2014). It also evidenced how logics can coexist while still competing and that coexistence can be reached without any logics eclipsing others, which opposes most logics studies (Ezzamel et al., 2012; Vit, 2011; Reay and Hinings, 2009).

The current work adds to the recent institutional logics debate. It adds knowledge about how logics' micro level practices and subsequent micro-politics are manipulated and manoeuvred to produced human agency, which is a "blind spot" in most recent institutional logics studies (Cloutier and Langley, 2013). It also reinforces the "bringing society back" thesis and ideas about exploring new cultures using the logics perspective (Friedland and Alford, 1991; Thornton and Ocasio, 2008) through geopolitics, cultures, values, and identities – thus a combined geopolitical compulsion (Huntington, 2002; Nye, 2004). All these, along with internalized roles and structures (old logics), can compete with and disrupt the cascading of new imposed logic(s), which for this work concerns ERM and its RBMC procedures and apparatuses.

The current study confirms early theoretical claims that different reactions may occur at different levels of analysis by following a main assumption of logics: studying logics at multiple levels of analysis to understand how logics are embedded contextually (Thornton et al., 2012; Besharov and Smith, 2014). It also asserts individuals' role in shaping organizational outcomes under conditions of institutional multiplicity (McPherson and Sauder, 2013). The empirical evidence extended and added to Greenwood et al.'s (2011) finding that institutional logics affect organizational levels in many ways depending on dynamics like geography, shared or conflicting history, and how culture dominates the field. This work's empirics explain and evidence how such "geopolitical" factors affect the individual level directly and indirectly by producing identities, cognition, sense making, and reactions.

Thirdly, the current study contributed to MA literature and practices in LDCs. Seeing RBMC from an institutional logics perspective, it noted how management accounting is becoming a geopolitical phenomenon. This shift in understanding MAC emanates from the reported protection to monologic controls that employees perceive as protecting habits and other cultural symbols from Western domination and hegemony. This cognition and sense making is intensified through the dissemination of a clash of civilizations discourses like “We and Them” and “the West and the Rest” discourses at XYZ’s operational level.

This study extends management accounting’s cultural political economy project in LDCs (Wickramasinghe and Hopper, 2005; Hopper et al., 2009) by offering a new cultural perspectives on the micro-politics of MCS in an LDC, namely a clash of civilizations. It demonstrated how employees and middle managers perceive ERM and its RBMC as a new tool of exploitation that ensures security not for employees or customers but for capital owners and their Western partners. This included how this cognition and sense making instantiated a geopolitical shield for micro level practices.

Another contribution concerns offering a new insight into the importance of cultural factors in building MCS (Wickramasinghe and Hopper, 2005) and increasing our understanding about everyday struggles and conflicts in LDCs’ micro level operations because of the Western reform programmes imposed on LDCs (Hopper et al., 2009). This was shown through managers’ and employees’ rejection of RBMC and with top management’s, governmental and Western partners’ pressures to implement it. This aspect fits Teschke and Lacher's (2007) proposition that we need a different lens from the old Marxist ideas to understand the changing nature of capitalism in the modern world.

Furthermore, the current study increases our understanding about actual implementation struggles within an LDC, which has hitherto been extremely low though and still needs developing. Some even say we know nothing about these RBMC in LDCs (Wickramasinghe and Hopper, 2005; Wickramasinghe and Alawattage, 2007; Hopper et al., 2009; Hopper et al., 2012; Ansari and Bell, 1991; Wickramasinghe, 1996; Uddin and Hopper, 2001). Nevertheless, some of this MC in LDCs literature does offer insights into how MC practices are perceived and implemented in LDCs, but similar for ERM or even Risk is indeed absent – except for Subramaniam et al.'s (2011) study of MA in general and specifically in relation to RM using surveys in Malaysian financial institutions. They concluded that MA and RM are complementary parts of performance management systems in such institutions.

Finally, the current study extended and echoed debates around issues of packaging and heterogenic tendencies on MC by focusing on how ERM and RBMC are trying to make MC heterogenic so we can confront and solve the problems arising from hostile and uncertain markets (Ax and Bjørnenak, 2005; Malmi and Brown, 2008; Otley and Soin, 2014). This extension stresses the need for understanding the social and political parts of packaging rather than concentrating on the technicalities of this process. As evidenced with the data and analysis, practices are embedded in prevailing logics so we need to understand why what was done was done in that way, rather than following MC bundling process.

10.4 Directions for Further Research

Despite its theoretical, empirical, and other contributions, the present study has limitations. At the theoretical level, the theoretical model is but a step towards explicitly incorporating geopolitics both in logics and in MA. While such a step enlivens an increasingly fading theoretical perspective in MA literature (i.e. Radical MA studies), it is merely a beginning and not a comprehensive, fully developed model. For example, centrality and compatibility were this model's main drivers, but identifying high and low levels is a methodological issue in qualitative studies because of what bases these were identified on and if middle ranges appeared (equal split or medium level appeared). I overcame the latter by counting the number of interviews with or against the logic. Nevertheless, determining centrality and compatibility levels needs better intervention in future research, like perhaps having a mixed methods study containing some questionnaires to identify these levels precisely.

Another theoretical limitation is the specific use of a clash of civilizations thesis as the chosen model of geopolitics to be triangulated. Although Huntington's (2002) ideas matched the logics perspective and XYZ's storyline, a clash of civilizations has many drawbacks as reported by scholars like Edward Said, who called it the clash of ignorance (Said, 2001). Furthermore, some scholars see the West and East classification and/or We and Them as not compatible in the modern world because the boundaries between them have vanished (Hardt and Negri, 2001). I counter argue this based on my data and experience in the Middle East they prevail, at least for Middle Eastern people and especially after the Arab uprising and recent Western wars. Nye (2004) also reported this issue implicitly, as he clarified that Western reliance on hard power rather than soft powers made the Middle Eastern community doubt Western intentions in the region.

At the empirical level, given the three month administrative restrictions on data collection, limitations and the Egypt's political turbulence after the 2011 and 2013 revolutions, which restricted this work's contributions. Without such events, the current research could have benefited from a more thorough, empirically-based analysis of geopolitical, governmental and EIS's effects instead of Chapter 5's literature based analysis. Alas, this was not feasible given the period for collecting empirical evidence, and the highly unreachable Egyptian government officials due to the political instability after revolutions.

Moreover, some interesting issues in the collected data were not discussed in detail because they are beyond the scope of this thesis. For example, the BCAR model was just mentioned and the analysis concentrated only on its effect on the MCS as a whole, not its specificity and how it affects other processes, risk assessment, and reserving process. The study's main concern was RBMC and how it tended to change the company from a monologic to heterogenic control system rather than deep exploring the technicalities of risk management models. Nevertheless, future research could focus on the technicalities of BCAR, IBNR, and Chain leaders, whether they have different or similar logics, and how these are harmonized or compete with each other.

Future research could involve more case studies and could mobilize the same or an adapted theoretical model – either inside Egypt to confirm the same principles in the model or in another Middle Eastern country that also has a long history and similar geopolitical ramifications. Future work is crucial, because having multiple cases using the same model could allow comparisons between the results and the salient logics in each case. Hence, we may reach the same geopolitical shield but for different reasons or with different logics. If so, identifying these logics and why such differences occurred would add to our increasing to knowledge.

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