

Management Control System in Practices: A Case Study of Koteswor Multiple Campus

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Abstract

The study examines the role of Management Control Systems (MCS) in educational institutions, focusing on Koteswor Multiple Campus, highlighting challenges such as inadequate financial oversight, limited information system integration, and ineffective academic quality assurance. Through qualitative case study research, this study aims to evaluate the impact of existing MCS within KMC, exploring its practices, consequences, and potential areas for improvement.

The study highlights KMC's MCS components, including control environment, recruitment, budgetary controls, performance monitoring, risk assessment, and communication systems. It emphasizes the importance of comprehensive control environments and standardized procedures.

Based on the identified gaps in existing MCS, the study recommends ways for KMC to improve its control systems, such as creating structured control environments, implementing standardized recruitment procedures, establishing dedicated budgetary control mechanisms, expanding performance monitoring efforts, and strengthening communication channels. These recommendations seek to increase openness, accountability, and overall institutional performance, eventually supporting KMC's objective of academic excellence and organizational sustainability.

Keywords: Management Control System (MCS), Performance, Sustainability

Introduction

A Management Control System (MCS) is a collection of processes, tools, and structures meant to assist an organization in achieving its objectives and goals in an effective and efficient manner. It is a critical component of organizational management that involves setting up a variety of systems to monitor and regulate the performance of individuals,

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departments, and the whole organization. According to Abhijit Dutta "A control system is a set of formal and informal systems to assist the management in moving forward to realize organizational goals" (Dutta, 2011, p. 3). In general, MCS is the mechanism, procedures or rules setup by a company to assure an organization's objectives in terms of operational effectiveness, reliable financial reporting and compliance with laws and regulations of the company. It encompasses all methods, procedures and arrangements adopted within an organization to ensure the completeness, accuracy and reliability of organizational functions. Exploring the area of experimentation while taking an evolutionary perspective could provide useful insights into how people perceive current controls over time and how such perceptions could influence changes in the design of Management Control Systems (MCS) (Martin, 2020). Management Control System (MCS) is crucial in helping top managers to formulate strategies, specify the operational actions required to implement these MCS strategies, clarify the mutual expectations, identify priorities for operational improvements, and set targets that may influence current and subsequent performance (Simons, 2000). The inherent complexity of modern businesses, with various interrelated activities and diverse stakeholders to manage, necessitates the use of Management Control System. The Management Control System optimizes resource usage, identifies deviations from plans, and enables timely corrective measures using mechanisms such as performance monitoring, feedback systems, and budgetary controls. Furthermore, it improves transparency, accountability, and decision-making by providing management with the tools required for reacting to changing situations and uncertainties in the corporate environment. Finally, the value of a well-designed and properly implemented MCS arises from its ability to improve organizational efficiency, effectiveness, and long-term success (Dechow & Mouritsen, 2005).

Theoretical Perspective on Management Control Systems (MCS)

Management tools for controlling are designed and used in accordance with several management theories that explain how organizations should be managed and controlled. These ideas help us understand why organizations utilize specific control systems (such as budgeting, performance measurements, and accountability areas). These theoretical foundations impact the logic for creating, applying, and adapting these technologies within organizational settings.

Agency Theory

Several academic disciplines, including organizational psychology, accounting, finance, economics, law, and political science, have expressed interest in the agency thesis. In view of recent discussions about corporate performance and CEO pay, this theory analyzes the interactions between owners and managers. The agency theory was frequently discussed in organizational and information system literature after it

was originally proposed in information economics literature to provide a theoretical model of the connection between one party (the principal) allocating duties to another party (the agent)(Thompson, 1967). According to agency theory, the management is the "agent" of the company, while the shareholder is the "principal," emphasizing the connection between these two parties. The theory was embraced by researchers from various domains, including sociology, accounting, law, economics, political science, and others (Zogning, 2017). Researchers have increasingly used this theoretical framework to examine leadership behavior in large private and public companies. The agency hypothesis, like most questions about organizations, focuses on workers and how they behave in the workplace.

Behavioral Theory

Pavlov, Thorndike, Watson, and Skinner, pioneers of behaviorism, established the groundwork for psychological ideas. Pavlov is known for classical conditioning (stimulus replacement), whereas Thorndike introduced scientific precision to educational challenges. Watson built on Pavlov's concepts, claiming that every behavior is taught through stimulus-response conditioning. Their work demonstrates behaviorism's emphasis on observable, measurable learning processes. The concepts of operant conditioning in social institutions, including education, are also investigated from his behaviorist perspective. The inclusion of behavioral objectives in the instructional process, the significance of creating conducive learning environments, the improvement of the "behavior modification" technique in the educational process, assessment in schools, the "drill and practice" technique as a behavioral teaching methodology, and the management of the learning environment through the appropriate use of behavioral techniques are just a few of the major contributions the theory of behaviorism (Ng'andu, Hambulo, & Haambokoma, 2013).

Behavioral theory focuses on how human psychology, motivation, and social dynamics affect organizational performance. This perspective in Management Control Systems (MCS) emphasizes the importance of aligning control instruments (such as budgets, incentives, and performance measures) with employee behavior in order to achieve effectiveness. Participatory budgeting and equitable reward systems, for example, can boost motivation, whereas overly strict regulations can result in resistance or unethical behavior. By incorporating behavioral insights, MCS may increase responsibility, teamwork, and decision-making, ensuring that controls not only monitor performance but also promote healthy organizational behavior.

Contingency Theory

Contingency theory holds that there is no universal approach to managerial control. Instead, the efficiency of Management Control Tools (MCTs) is determined by contextual

factors such as organizational size, structure, industry dynamics, and environmental uncertainty. This paradigm emphasizes adaptability, arguing that control systems should be tailored to an organization's specific demands and challenges (Battilana & Casciaro, 2012).

Contingency theory is valuable because of its practical adaptability, which makes it extremely relevant to contemporary organizations. Recognizing that no single control system works for all organizations pushes managers to assess their specific environment and adapt MCS accordingly. For example, international organizations may decentralize controls to accommodate regional disparities, but small businesses may centralize oversight to ensure uniformity. According to research, contingency-based controls boost performance by balancing structure and flexibility, especially in dynamic sectors. Finally, this method assures that management control systems are responsive to both internal and external challenges, resulting in long-term organizational performance.

The study of management control tools reveals a complicated interplay between organizational strategy, human behavior, and control mechanisms. Traditional theories (e.g., agency and contingency) and recent behavioral insights emphasize the importance of successful control systems that fit with firm goals while responding to circumstances and motivations among individuals. This emphasizes the importance of versatile, well-designed controls that balance structure with psychological and situational factors (Sahle & Hefnaoui, 2023).

Koteshwor Multiple Campus (KMC), established in 2047, aims to become the center of academic excellence in Nepal. It focuses on providing quality education and preparing competent citizens for future challenges. KMC offers programs that develop social, intellectual, and practical skills, fostering a lifelong learning attitude. Students are encouraged to develop personal leadership styles and interact with faculty and practitioners. The teaching pedagogy promotes internalization of learning, focusing on assignments, project work, and case analyses. KMC students have achieved high scores in competitive examinations both domestically and internationally. The college also conducts numerous co-curricular and extra-curricular activities for student development.

Problem Statement

Koteshwor Multiple Campus (KMC), despite facing challenges in implementing an effective Management Control System (MCS), seeks to understand its impact on operational effectiveness and long-term success. This study aims to analyze the existing MCS practices, identify opportunities for improvement, and explore the relationship between MCS and overall institutional performance which encourages efficient

governance, optimal resource allocation, and long-term academic success.

Insufficient financial oversight offers a substantial risk since the lack of a strong control system can lead to resource misallocation and mismanagement. Without real-time financial monitoring, the campus faces difficulties in making informed decisions and strategically allocating resources, risking its overall fiscal efficiency and sustainability. The institution faces issues with information system integration, which hampers efficient communication and data sharing between departments. The lack of technology integration restricts administrative process technology, resulting in inefficiencies. Furthermore, the lack of well-defined key performance indicators complicates objective evaluation of overall performance. Ineffective academic quality assurance affects standards and certification since monitoring instructional approaches and student assessment processes is insufficient. Limited stakeholder engagement, including insufficient communication and collaboration, hinders overall institutional development. Furthermore, a weak risk management system exposes the organization to disruptions and potential harm to its reputation.

Research Objectives

The primary goal of this study is to examine and evaluate the impact of internal control within KMC on management's ability to operate properly. Additionally, the study focuses on improving the operational processes of Koteshwor Multiple Campus (KMC). The specific objectives are as follows:

- To demonstrate the practice and consequences of MCS adopted in KMC
- To explore the management practices to enhance the effectiveness of the control systems
- To find the relationship between the Management Control System and overall performance of KMC

Limitation of the Study

When doing research on management control systems at Koteshwor Multiple Campuses, multiple limitations can arise, limiting the breadth, depth, and applicability of study findings. Consider potential constraints, such as data accessibility and confidentiality issues, as well as resource limitations, External influences and dependencies, as well as internal organizational variables.

It is critical to acknowledge and resolve these constraints throughout the research process in order to maintain the validity and reliability of the study's findings. This acknowledgement also provides a clear foundation for analyzing the research

conclusions within the special domain of Koteshwor Multiple Campus (KMC) (KMC, 2024).

Literature Review

A comprehensive literature review for research at Koteshwor Multiple Campus (KMC) on Management Control Systems (MCS) should aim to provide an in-depth exploration of fundamental concepts, theories, and illustrative approaches in the field of management control systems. The primary objective should be to understand the relationship between the management control system and overall organizational performance.

In general, MCS is the mechanism, procedures or rules setup by a company to assure an organization's objectives in terms of operational effectiveness, reliable financial reporting and compliance with laws and regulations of the company. It encompasses all methods, procedures and arrangement adopted within an organization to ensure the completeness, accuracy and reliability of organizational functions. Exploring the area of experimentation while taking an evolutionary perspective could provide useful insights into how people perceive current controls over time and how such perceptions could influence changes in the design of Management Control Systems (MCS) (Martin, 2020).

Management Control System (MCS) is crucial in helping top managers to formulate strategies, specify the operational actions required to implement these MCS strategies, clarify the mutual expectations, identify priorities for operational improvements, and set targets that may influence current and subsequent performance (Simons, 2000). Essentially, the goal of MCS is to give information valuable for managerial decision-making, planning, monitoring, and evaluation of organizational initiatives aimed at changing employee behavior (Merchant & Otley, 2006). The study (Alkhafaji, Talab, Flayyih, & Hussein, 2018) explores the impact of management control systems (MCS) on organizational performance in both developed and emerging economies. It argues that understanding the role of MCS in formulating business strategies can help firms survive and succeed in complex and uncertain environments. Contingency-based research has been a significant method in understanding management control systems (MCS) effectiveness, focusing on designs that suit the environment, technology, size, structure, strategy, and national culture (Chenhall, 2006).

By combining the available literature in various categories, the literature study looks for to provide a thorough understanding of the current state of Management Control

Systems in educational institutions. As part of the research, this groundwork will serve as the framework for the empirical examination at Koteswor Multiple Campus.

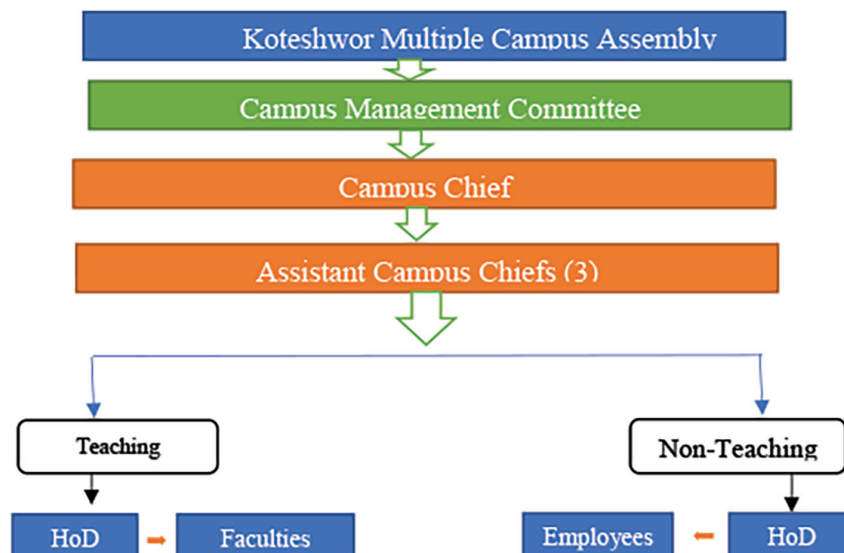
Analysis and Discussion

The following components of Management Control System (MCS) were an outline of possible topics for analysis and discussion.

The Control Environment: In KMC there is a no wide variety of controls designed to affect the behavior of their employees in different ways. Direct controls systems has been adopting. The following flow charts are organizational charts.

Figure 1

Organizational Structure of KMC



(Source : Self made, 2024)

Controls Range: KMC's Vision, Mission, and goals are achieved through timetable, job specifications, and annual calendar, but no properly described controlled systems are in place to achieve these objectives.

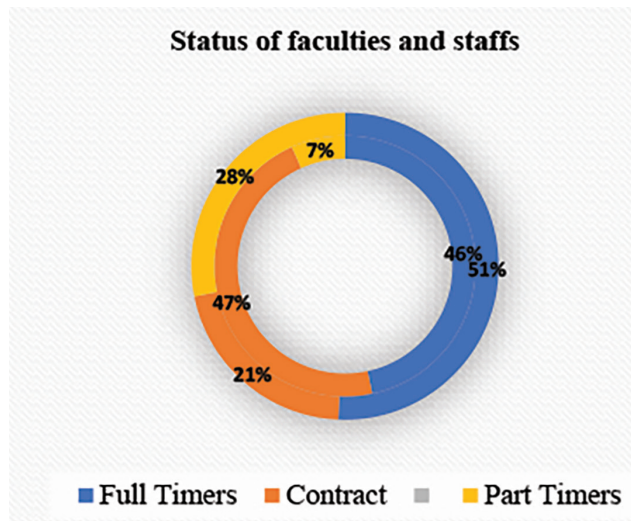
Lower and Higher Level Controls: Lower level controls involve formal rules for non-teaching staff and related departments, but no signed agreement exists. Higher level controls involve the Campus Assembly, which forms the Campus Management Committee, with the campus chief responsible for decision-making and execution.

Recruitment and Appointed Employees Control Systems

KMC followed recruitment Policies and procedures to select faculties and staffs. Formal educational qualifications, experiences, concepts of jobs was taken as variables on selection process. There was no written test examination but presentations and interview was carried out. Nepali Nationality and below 45 years were taken as the constraints but no constraints of color, gender culture, ethnicity etc. and no privileged also. No technical training was mentioned in requirements. Some direct rewards i.e. promotion, prize and appreciation letter to faculties and staffs were provided. Asking clarification, Stopping grade facilities and discontinued of jobs were practiced as the punishment for undesirable behaviors of employees. The provision of a superior model of standard teaching and non-teaching employees were not introduced. The award of QAA certification and other symbolic rewards were displayed on the office wall. The number of faculties and non-teaching staffs can be shown below:

Figure 2

Status of faculties and staffs



Source : (KMC, 2078; KMC, 2079; KMC, 2080)

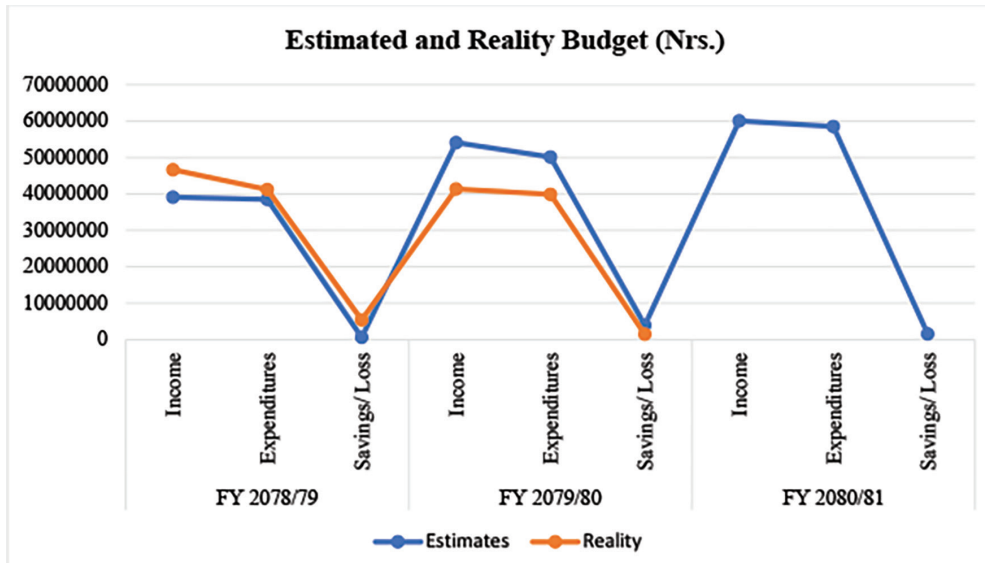
Budgetary Controls

The Sub Committee of Budgetary and planning submit the financial budget plan to campus chief. It was discussed on Campus Management committee. The effective operation of budget was highly occurred. There is no others specific budgetary controls. There is no budgetary control software systems and devices were used.

The three years total budgets and expenses can be shown below.

Figure 3

Estimated and Reality Budget (Nrs.)



Source : (KMC, 2078; KMC, 2079; KMC, 2080)

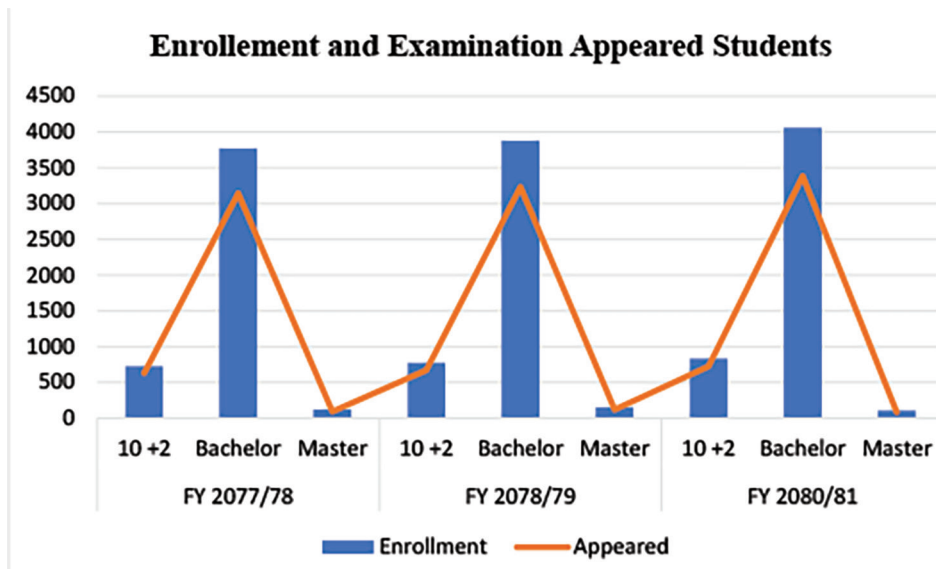
Performance of KMC

Performance refers to an organization's or investment's outcomes over time. The performance of campus is related to its objectives. Number of enrolled students, appeared in examination and passed rate of students were taken for the study as a performance indicators.

i. Enrollment of students and examination appeared

Figure 4

Enrollment and Examination Appeared Students

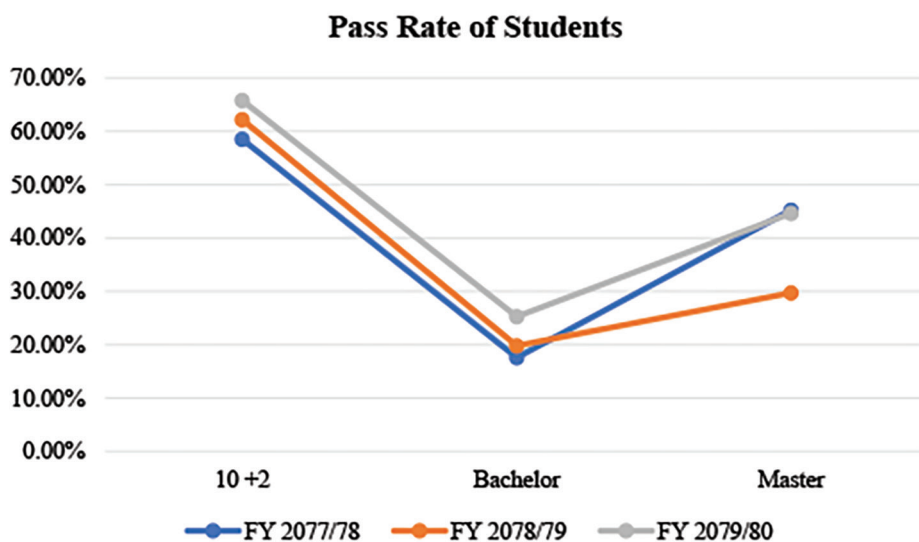


Source : (KMC, 2078; KMC, 2079; KMC, 2080)

ii. Passed Rate of Students

Figure 5

Passed Rate of Students



Source : (KMC, 2078; KMC, 2079; KMC, 2080)

1.5 Risk Assessment & Mitigation Plan

The following Potential Risks to KMC were assessed:

Table 1

Risks and Control Activities

Area	Assessed Risks	Mitigation /(Control activities)
<i>Security</i>	Potential threats include theft, vandalism, student conflicts, and external threats like terrorist activities or civil unrest.	Installing security cameras, increasing campus lighting, implementing access control measures, and hiring security personnel.
<i>Natural Disasters</i>	Preparation for natural disasters like earthquakes	assessing buildings for earthquake resistance
<i>Infrastructure Challenges</i>	Inadequate land, buildings and classes, lack of sanitation in surroundings can effect on campus performance	involves regular maintenance of buildings and utilities, investment in infrastructure upgrades, and the creation of contingency plans for utility failures.
<i>Health Risks</i>	Spread of infectious diseases or inadequate healthcare facilities pose risks	implementing sanitation and hygiene protocols, providing clean water and hand washing facilities
<i>Social Unrest</i>	Conflicts among different groups can pose risks to campus harmony and stability.	Foster open dialogue and conflict resolution mechanisms, establish guidelines for peaceful protests,
<i>Cyber security</i>	Data breaches, hacking attempts, or online harassment are cyber security risks	Implement cyber security measures and offer support services to victims of bullying.
<i>Financial Sustainability</i>	Limited government funding or insufficient resources can impact the quality of education and infrastructure maintenance.	Emphasizes the importance of effective financial planning, budgeting, and prioritizing spending on critical areas like safety and security.

(Source: Field Observation , 2024)

Procurement process and Internal Audits

The procurement process is the set of actions involved in obtaining goods, services,

or works from outside sources. It includes tasks including identifying requirements, locating suppliers, negotiating contracts, purchasing, and managing supplier relationships. The procurement process at Koteswor Multiple Campus involves identifying needs, budgeting, planning, tendering, evaluating and selecting suppliers, negotiating contracts, implementing and monitoring, receiving and paying, collecting feedback, and adhering to legal regulations, ethical standards, and institutional policies. Feedback from end-users and stakeholders helps identify areas for improvement and ensures fairness, transparency, and integrity in the procurement process. There is a Koteswor Multiple Campus, Financial Administration Rules, 2077, and a procurement Committee to conduct procurement process legislation.

Internal audits at Koteswor Multiple Campus are systematic examinations of the campus's activities, operations, and processes to assess their effectiveness, compliance, and risk management. These audits are conducted by qualified personnel within the campus. Key areas audited include financial management, academic processes, administrative processes, compliance, and risk management. Benefits of internal audits include enhanced governance, efficiency gains, risk mitigation, continuous improvement, and stakeholder confidence. In conclusion, internal audits are critical to Koteswor Multiple Campus's success and reputation in the educational scene.

Information & Communication:

Management implemented a number of initiatives to foster a compliance culture at KMC, including establishing transparent policies, conducting routine training sessions, ensuring transparency, conducting audits, acknowledging compliance efforts, maintaining consistent enforcement, and seamlessly integrating compliance into the overarching organizational ethos. Notices were distributed through communication channels such as digital platforms and notice boards, while an Information Officer and an EMIS unit were established to simplify processes. Students can get result through EMIS systems on their own electronic devices.

Monitoring Activities:

Management control systems on KMC involve various monitoring activities to ensure efficient resource use, adherence to policies, and achievement of institutional goals. These include financial monitoring, performance monitoring, resource utilization monitoring, compliance monitoring, quality assurance monitoring, risk monitoring, internal control monitoring, environmental monitoring, stakeholder feedback monitoring, and continuous improvement monitoring. They also ensure compliance with laws, regulations, and policies, as well as the quality of education and services provided.

Conclusion

The study examines the impact of a Management Control System at Koteswori Multiple Campus on organizational performance. The following conclusion was drawn from the above discussions.

- Koteswori Multiple Campus (KMC) lacks a comprehensive control environment, particularly in the formalization of controls to guide employee behavior and achieve organizational goals.
- KMC's recruitment processes lack certain formal controls and standards, potentially affecting the quality and performance of faculty and staff.
- While KMC demonstrates effective budget planning, there is a lack of specific budgetary controls and technological support for financial management.
- KMC's performance monitoring focuses primarily on enrollment and examination data, with limited attention to other key performance indicators and outcome measures.
- While efforts have been made to promote a compliance culture through policies and digital platforms, there is room for improvement in communication and information dissemination.

Recommendations

The recommendations were based on the gaps of existing Management Control Systems. The study has the following recommendations :

Strategic integration

Koteswori Multiple Campus (KMC) needs to enhance strategic integration by aligning culture with vision, mission, goals, objectives, integrating controls, promoting active management committee participation, and streamlining decision-making processes.

Performance assessment

KMC's performance assessments are vital for assessing its effectiveness in achieving objectives, tracking key indicators, evaluating management control systems, identifying improvement areas, and optimizing resource allocation.

Employee training and communication:

KMC should prioritize employee training and communication to ensure organizational compliance, establish clear channels, and foster a culture of open feedback for continuous improvement and alignment with goals.

Technology leverage:

KMC can improve management control systems by implementing budgetary control software and EMIS, which streamline financial processes, enhance student information management, and automate routine tasks for better decision-making.

Strategic planning workshops:

Strategic planning workshops at KMC promote collaborative decision-making, align with organizational objectives, and foster ownership among stakeholders.

Feedback mechanisms:

KMC should implement robust feedback mechanisms like surveys, suggestion boxes, focus groups, and regular meetings to gather insights, address concerns, and drive organizational improvement.

By implementing these recommendations, Koteswor Multiple Campus can strengthen its internal control environment, optimize resource allocation, improve decision-making, and ultimately enhance its overall performance and sustainability.

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