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Determinants of Management Control in Banks: Case of the Souss-Massa Regional Banks

Elktiri Lahoussine[1], Ouabbou Ahmed[2], Jaouhari Lhassane[3]

[1]PHD in Management sciences, Faculty of Legal, Economic and Social Sciences, Ibn Zohr University, Agadir

[2]Master CCA in the Faculty of Legal, Economic and Social Sciences, Ibn Zohr University, Ait Melloul

[3]PHD in Management sciences, Faculty of Legal, Economic and Social Sciences, Ibn Zohr University, Agadir

ABSTRACT

In recent years, the banking sector has experienced a strong evolution and perfect competition in the direction of the birth of innovative services. As a result, banks must use management tools that contribute to the conduct of change, a permanent monitoring of the strong evolution of the environment and the current trends in the various sectors including the banking sector. The banking activity is also characterized by the involvement of specific management tools and the need for a daily monitoring of performance. It is in this context that our article will address the following issues: What are the factors that require the bank to implement a management control system? To do this, a qualitative study using interview guides semi-directive is conducted within conventional banks in the region Souss-Massa.

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Keywords: Management control; Performance management; Bank ; Internal factors; External factors

1. INTRODUCTION

In recent years, the world economy has undergone remarkable shifts and changes as a result of globalization. These movements have affected many areas, making the current environment complex and turbulent.

Today, competition affects all sectors of activity including the banking sector, which is among the main actors of the Moroccan economy. The latter has in turn undergone several changes: the dysfunction in the credit framework, the variation in interest rates and the deregulation of this sector. Indeed, the crucial issue for banks is to achieve a sustainable performance by creating a competitive advantage.

In order to improve and perfect the performance management, banks set up information systems to obtain the right information that will help them in their decision making. In this sense, a management control department is considered as a real performance management tool for companies operating in the banking sector as well as in other sectors.

The integration of the management control department in the banking sector is associated with several tools such as management accounting, forecast management and budget management. This service is a source of efficiency maintenance and coordination between responsibility centers. It constitutes for the bank a competitive advantage and an instrument of competitiveness. The banking sector is obliged to look for relevant and reliable information that can be used as a basis for decision-making. To achieve this, this department uses the dashboard as a decision-making and steering tool.

The breakdown of a central bank into regional banks and the supervision of several bank branches by the regional banks makes the structure more complex for the management control department. For this reason, it is necessary to understand the importance of the positioning of this department in the organizational structure of the banks. However, the establishment of a management control department at the level of a bank is not without difficulties.

To study the level of integration of management control in banks, we have chosen to verify the theme relating to the determining factors of management control in banks, while relying on a qualitative study through semi-directive interview guides with the head of management control departments within regional banks in the region of Souss Massa. The problematic formulated is as follows: "What are the determining factors of management control in banks?

This manuscript is structured around three main points:

First, we will develop a literature review that aims to address the various theoretical foundations and definitions of key concepts of our research theme;

Second, we will present a synthesis of previous works that have dealt with the factors that influence companies to

Corresponding Author: Elktiri Lahoussine

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implement a management control system, in order to highlight the conceptual model and the research hypotheses;
Third, a presentation of the research field object of our qualitative study;
Fourth, description of the research methodology adapted to develop this work;
Finally, we will describe, analyze and discuss the results in relation to our literature review.

II. LITERATURE REVIEW

A. Management control : Theoretical foundations

Management control is a decision-making and performance management tool. It provides assurance to managers that resources are used effectively and efficiently, and that objectives are achieved according to a predefined strategic plan. In this context, it is necessary to clarify the concept, missions and tools of management control as well as the concept of performance through definitions held by several authors in the field of management.
Two main definitions for management control are developed by R.N. Anthony in 1965 and 1988: (RN Anthony 1965) management control is a process that ensures that managers use resources effectively and efficiently to achieve the entity's objectives. (Anthony 1988) He adds another definition in which he considers management control as a principle by which managers invite other teams in the company to pursue strategies.
Management control and cost accounting have evolved at the same time because the mastery of one element complements the proper functioning of the other, that is to say, the proper assessment of management accounting contributes to the proper functioning of the management control department. The industrial revolution gave birth to the principle of management control and its necessity is accompanied by the need for division of labor and tasks which made it indispensable. It allows both to control activities for each function within the company and to steer the company to achieve the planned objectives. Its beginning is characterized by the quantitative aspect based on calculations such as the determination of costs through analytical accounting, the calculation of budgets by applying budget management and reporting.

This system is characterized by :
The measurement of financial performance
The presence of responsibility centers
Planning and procedures
Calculation of forecasts
The comparison between forecasts and achievements, which refers to the analysis of variances.

In the middle of the 1980s, a new cybernetic approach to management control (with the association of computer and telecommunication sciences) had just appeared that (Boisvert 1991) describes as "renewed management control". It attempts to overcome the limits of the traditional approach. It proposes to move from upstream management control to downstream management control and from traditional costing to activity-based costing. The objectives and analysis tools are both quantitative and qualitative. Thus, management control implies a permanent complementarity between strategic management and operational management.

Missions and tools of management control

Management control is a concept that is perfectly linked to management because the two concepts share the same long-term vision of the company's objectives. Speaking of objectives, we are obliged to monitor the company's strategy towards the achievement of these objectives already set with effectiveness and efficiency, which falls within the scope of management control as we are in the framework of strategic and operational management. This system still ensures several missions:
-Forecasting: After the allocation of resources necessary to achieve the objectives previously defined, this system will have the intention on the forecasts to prepare plans for modification in case of failure. Also, it takes care of accounting for the budgets allocated to the different functions of the company.
-Control: To improve management, the management control must provide the responsibility centers with all the necessary information.
-Analyze the performance of activities in order to optimize their management: in this step, the management control must put in place the necessary tools to calculate the costs of activities and results ensuring the coherence between the means and the results obtained.
-Promote collaboration between the various responsibility centers.
-Ensure strategic and operational management
-Assist in decision making
-Formalize objectives and performance indicators
-Produce reports and develop dashboards based on data from the company's departments in order to contribute to the effectiveness and efficiency of management processes
-Ensuring control of the use of the information system in terms of collecting the data necessary to achieve the objectives.
In order for this system to be able to handle all of these missions and to ensure the steering of the company's performance, it is necessary to put in place tools such as
-Cost accounting
-The information system
-Budget management
-Forecasting management
-The dashboard
-Reporting

The concept of performance

On the one hand, performance is a major objective for an organization, regardless of its sector of activity. On the other hand, it is a key factor in setting up a management control department, which is in turn a tool for steering, monitoring, managing and measuring performance. The notion of performance makes it possible to measure the coherence between the objectives planned and the objectives obtained. Several definitions are associated with the term performance, including the following (De La Villarmois 1996)

It can be defined on the basis of three key concepts:

-Relevance: Means the coherence between the objectives obtained and the resources used, in other words, the correct allocation of resources.

-Efficiency: The minimization of resources.

-Effectiveness: "the ability to achieve objectives".

Several dimensions of performance are distinguished by (MORIN E. M. 1994):

- A so-called social dimension: based on the motivation and mobilization of staff justified by the development and performance of staff.
- A dimension in the economic sense, translated by the effectiveness and efficiency in the use of resources.
- A dimension in the political sense aimed at satisfying the providers of funds, the customers, the community and the control bodies, in general all the partners of the company.
- A last systemic dimension based on the competitiveness of the company through the quality of the products presented with the objective of profitability.

From these four dimensions presented, the author sees that it is necessary to integrate the financial dimension of performance which is associated with the financial health of the organization, the motivation of lenders through the creation of wealth. Therefore, he concluded that the economic approach and the financial approach are the basis for all other dimensions associated with the term performance.

Indeed, a general vision of the different definitions of both management control and performance supports that for a company that seeks to control and monitor its performance, it is preferable to put in place a tool for steering and driving performance. It is in this sense that our research work questions the determining factors of the implementation of a management control department which will be the subject of the following point.

B. Summary of previous work

The emergence of management control systems can be explained by the need to provide an answer in the form of tools to the needs of managers in both public and private institutions (SKOURI and BOUSSOUF 2019). On this point, we will present a theoretical synthesis of some empirical studies that have been conducted in the direction of our research theme, whose title is as follows: "Determinants of the implementation of management control in banks". This conclusion of the theoretical work deals with the factors of the implementation of management control within companies in a general context, without specifying the field. This table (Table 1) presents a summary of these studies:

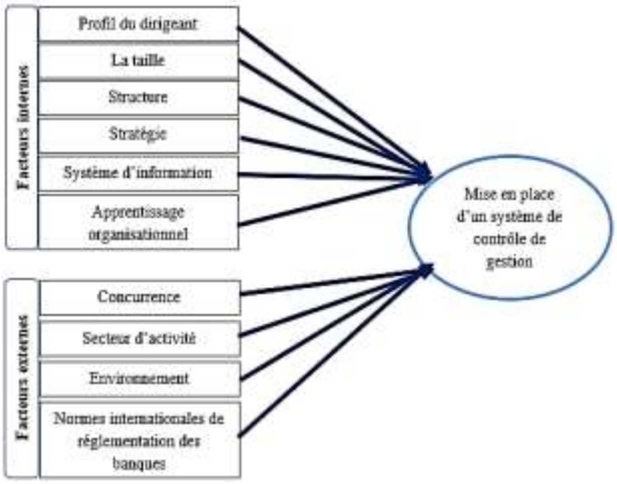
Table 1: Summary of previous work

Author	Methodology and research field	Results
(Meyssonnier and Zawadzki 2008)	Action research in SMEs	- The profile of the manager (Costing, ABC, budget and TB) Strategy - Sector of activity
(Bampoky and Meyssonnier 2012)	10 Exploratory interviews and a questionnaire survey with 130 companies from different sectors	- Size - Information system [ERP (improvement of the CDG function) - Structure (A strong structuring of the function through the dissemination of various tools and techniques).
(Errami, Youssef ; Julien 2011)	Qualitative study with semi-formalized interviews, documentation in a retail bank	- Strategy (CDG main actor in the formulation, dynamics and success of the strategy)
(Wangani 2018)	Interviews with managers and employees in 100 companies in different regions	- Performance [The CDG is an essential tool for performance management]. - Strategy - Competition
(Marsal 2010)	Exploratory study, literature review and a questionnaire survey of a mutual bank	- Cognitive Governance - Organizational learning practices - Coordination

Source: Authors

From this summary of the empirical work carried out by different authors and in different sectors, we have retained that the establishment of the management control department depends on different factors that we can classify into two types. This theoretical synthesis allowed us to raise a set of factors obliging the company to call upon the service of management control, of this synthesis, the theoretical conceptual model of our work is conceived according to the following diagram:

Figure 1: Theoretical conceptual model



Source: Authors

Through this conceptual model, the research hypotheses are the following:

H1: Internal factors would require the bank to implement the management control system.

H2: Internal factors would force the bank to implement the management control system.

III. RESEARCH METHODOLOGY

A. Research context

Our empirical study will be carried out in the banking sector, which is characterized by strong evolution and fierce competition in terms of innovative banking services and products.

The Moroccan banking sector has undergone a very important transformation. It is considered among the main ones in the country's economy. The Moroccan banking system is characterized by strong competition. The banking market in Morocco is controlled by seven banks, the main player being the public network of popular banks, followed by other banks such as the Moroccan Bank of Commerce and Industry and the deposit and management fund.

B. Methodology adopted

The various empirical works cited in the literature review (Table 1) have led us to follow a constructivist epistemological paradigm, a hypothetico-deductive approach and a qualitative study.

Our empirical study on the determining factors of management control in banks is carried out by adopting the qualitative method through an interview guide addressed to the heads of management control department within the regional banks of the Souss-Massa region. The latter is broken down into four main areas:

The first axis: "The job" / Is based on questions about the job of management control within the bank, its main mission, its hierarchical attachment, its tools and its working environment.

The second axis: "Knowledge, qualities and skills": This axis questions the knowledge necessary for the exercise of the management control function, the qualities necessary and specific to this profession. It also looks at the main skills and experience required to perform this job in the banking sector.

The third axis: "the problematic of our research": This axis is divided into two main points. The first one is used to question the internal determining factors of management control in the bank. The second point is reserved for the deduction of the external determining factors of the management control in the bank. Also, we asked the question that aims to find out if there are other internal and external factors to draw hypotheses and to properly exploit and develop our research in the field of bank management control.

The interview guide is distributed in physical and electronic versions to 9 regional banks. Following the confidentiality required by the respondents, we named the banks by alphabets (A; B; C; D; E; F; G; H and I), and we were only able to obtain the answer from 4 banks, two of which were interviewed in physical form and two in electronic form.

IV. RESEARCH RESULTS

After collecting the interview guides from the respondents, we will present a description of the main results obtained as follows:

- **Bank A Response:**

Structure

◦ The structure allows the definition of tasks and missions of each department.

◦ The need for the structure that allowed for ongoing control, which created the need for the bank to establish a management control department.

Size

◦ The larger the size of the bank by the creation of new branches more there is a need to have a management control system (system of coordination and monitoring the achievement of objectives by the development of periodic dashboards)

Strategy

◦ Management control is an indispensable instrument in the definition, formulation and implementation of the strategy itself.

Information system

◦ A good functioning of an information system requires the presence of a management control department (The production of relevant information allowing a good monitoring of the performance)

Competition ◦ Management control is a steering tool to improve performance and positioning in relation to the competition.

◦ Management control contributes to competitive advantage since it is a key monitoring and decision support factor.

Deregulation

◦ Management control is a compliance monitoring tool.

◦ Deregulation has firstly imposed internal monitoring and secondly promoted competition, which has created a need for the management control function.

Basel standards
◦ International standards require banks to use management control tools (Basel I, Basel II and Basel III).
Organizational learning
◦ The implementation of a management control system promotes organizational learning within the bank (the implementation of existing resources: Management control fosters interactions to apply directors' skills to make the strategic process successful at the regional level).

➢ **Bank B response**

Structure
◦ The bank as a financial institution is obliged to set up an effective management control department to have a good organizational structure and detached from the general management
Size
◦ As the size increases the need for a management control department increases;
Strategy
◦ Management control contributes to strategy formulation and goal setting.
Information system
◦ There is a complementary relationship between the information system and management control because an effective IS facilitates the mission of a management controller within the bank.
◦ The existence of an IS requires the bank to establish a management control department.
Competition
◦ Management control promotes the reliability of the banking business and allows it to be efficient and have a reliable and competitive brand image.
◦ Management control contributes to the creation of a competitive advantage.
Basel standards
◦ The rules brought by Basel III require the bank to have a management control department.

➢ **Bank D response**

Structure
◦ A complex, mostly geographically distributed structure.
◦ A decentralized organization which has created a need for control.
Size
◦ Size has grown significantly which requires the bank to create a management control system for monitoring objectives at the regional level.
Strategy
◦ Contribute to the definition and monitoring of the implementation of the strategy
◦ The consistency between resources and objectives
◦ Performance measurement in order to pilot the activity and take corrective actions.
Information system
◦ The information system feeds on management control.
Competition
◦ Management control contributes to the continuous improvement of the company's overall performance to differentiate itself from its competitors.
Deregulation
◦ The management controller is required to submit a management report or reporting to the bank's management, which makes it possible to say that deregulation requires the management control department within the bank to ensure that the legal provisions and standards are met.
Organizational learning
◦ The application of directors' skills at the bank level requires a coordination and advisory system. As a result, the bank makes use of the management control system.

➢ **Bank I response**

Structure
◦ The management control department is a strategic support. It is part of the general management.
◦ The choice of organizational structure drives the bank to adopt a management control department.
Size
◦ As the size of the bank increases, the need for a management control system increase.
Strategy
◦ The management control department is paramount and decisive in terms of strategy contributing to its formulation and setting of objectives.
Information system
◦ The management control presents a pillar of good functioning of an information system. Thus, the information system is a development of the function of management control and makes it effective.
Competition
◦ Competition forces the bank to adopt a management control department for the creation of a competitive advantage and the achievement of profitability.
Basel standards
◦ Basel provisions require the regional bank to use the management control department for monitoring and compliance with the standards of the banking law.

The reading of the different results obtained allows us to draw up a list of internal and external factors determining the implementation of a management control system within banks. These results will be compared with theoretical contributions discussed in the literature review to draw conclusions.

V. RESULTS AND DISCUSSION

At the level of the literature review of this article, the different theories mentioned raised that the implementation of the management control system is linked on the one hand to the strategy this is in line with the studies conducted by (Meyssonnier and Zawadzki 2008) and (Errami, Youssef ; Julien 2011) on the other hand to size as cited in the work of (Bampoky and Meyssonnier 2012) and to structure in accordance with the research conducted by (Bampoky and

Meyssonnier 2012) (Callandret-bigot, Bonet, and Gallian 2014). Certainly these different variables influencing firms to set up a management control system are the subject of contingency theory. On this point we return to the maintenance of our research hypothesis in relation to strategy, size and organizational structure, in other words structural and organizational factors this is justified by the need for a system of cooperation and coordination(Marsal 2010).

In another sense the behavioral factors such as the profile of the leader raised in the studies conducted by (Meyssonnier and Zawadzki 2008) and organizational learning cited by (Marsal 2010), following our context of studies and after the exploration of the theoretical model we reject the hypothesis related to the profile of the leader at the level of the bank and we retain the one related to the organizational learning as a factor imposing the bank to implement a management control system.

The introduction of a management control system within the company is also influenced by the information system according to the work of (Bampoky and Meyssonnier 2012) and (Callandret-bigot, Bonet, and Gallian 2014), we find according to our study in the banking sector in Morocco that the information system is obligation for banks to implement a management control system, this validates our hypothesis in relation to the IS.

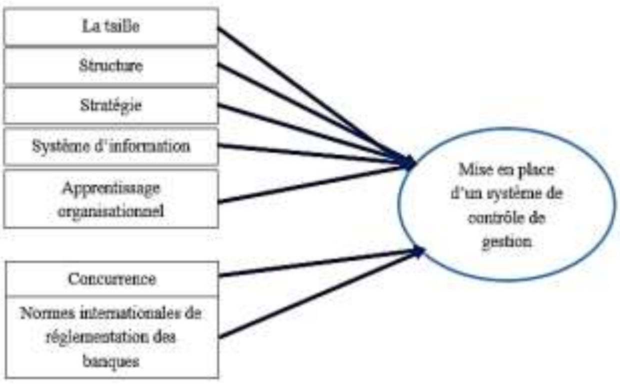
In a sense of the standards of the Basel committee is among the determinants of the management control system within the bank according to the instructions of Basel III, which allows us to validate the hypothesis of the implementation of a system of CDG by imposition of the Basel committee.

According to our research study we were able to raise that the competitive advantage which is in turn an objective of all banks following the strong evolution of innovation in services, which requires the bank to have a management control department for decision support, this result is aligned by the study conducted by (Wangani 2018).

Summarizing on the basis of the different results obtained, we return to the main object of the exploratory study addressed, which is the contextualization of our theoretical research model.

The conceptual model retained after this study is as follows:

Figure 1: Conceptual model retained after exploration



Source: Authors

VI. DISCLOSURE [SIZE 10 UPPERCASE]

The opening of the Moroccan economy to the outside world and its exposure to increased international competition requires the adoption of a management control department by the banking players to obtain strategic information and to set strategies to improve the performance of banks. Among the requirements that pushed banks to opt for a management control system, the high rigidity of costs and the rise of operational and financial risks.

In summary, it can be said that management control has a very important place in the functioning of the economy and the socio-economic development of the country. However, the institutional operational framework of the sector has not evolved significantly for a very long time. Today, it is largely behind the new economic policy. The management control department, according to our empirical study in the banking context, is a tool that manages information within the bank. Its position in the structure, as a member of the general management, its contribution to the setting of objectives and the improvement of strategic processes allows it to differentiate itself from its competitors. It is a service that allows coordination between the different entities of the organizational structure by monitoring the consistency between the means used and the objectives achieved. Through the analysis of discrepancies, management control allows for the anticipation of corrective actions in order to minimize risks and to implement new strategies for good performance management. However, there are constraints that make the task of this department more complex, namely:

- Time management
- Availability and accuracy of information
- Clarity in the production of dashboards
- The development of tools and the expansion of information technology, which certainly facilitates the work, but increases the requirements for the management control service.
- Availability of human resources
- Training on new developments

Throughout this work, we have tried to analyze and test the proposed hypotheses concerning the factors determining the establishment of a management control department in Moroccan banks. In our empirical study, we encountered obstacles that made the research task a bit difficult such as the limited access to information within the banks and the confidentiality of data. Thus, we would have liked the banks surveyed to give us more time to conduct a fruitful directive interview. It should be noted that most of the banks have a centralized management control department at the head office, which is located in Casablanca. Our study has shown that there are two types of factors that influence the establishment of the management control department (Table 8). However, the indicators of the dashboard and reporting remain insufficient to achieve accurate control, make the right decision and ensure adequate monitoring. Indeed, the human factor and operational risk are two factors that are difficult to identify. To this end, we propose to conduct a large-scale study that would see this deficiency to explain the relationship of human culture within Moroccan banks and management control. This study could be followed by periodic surveys to measure the evolution of the situation over time. Given that we have begun a qualitative study on a limited field following the non-receipt of responses from a number of banks, it is necessary to expand our research field from the region to the central banks in Casablanca and Rabat with the aim of developing a quantitative study among the various senior management of the management control (the name of the departments differs from one bank to another).

In terms of management, so the management control presents an indispensable tool for steering ka performance (Wangani 2018), its intervention is known by the application of such practices and management tool. It is in a sense of perspective we return that it is interesting to conduct a quantitative study on the impact of determinants on the implementation of such management control practices within banks.

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