

## **The establishment of management control within Moroccan public administrations**

## **L'instauration du contrôle de gestion au sein des administrations publiques Marocaines**

**AZEGAGH Jalal**

Teacher researcher

National School of Commerce and Management - Kenitra

Ibn Tofail University

Research Laboratory in Management Sciences of Organizations (LRSGO)

Morocco

**jalal.azegagh@gmail.com**

**ABID Jihane**

PhD student

National School of Commerce and Management - Kenitra

Ibn Tofail University

Research Laboratory in Management Sciences of Organizations (LRSGO)

Morocco

**jihane618@gmail.com**

**Date submitted:** 15/09/2022

**Date of acceptance:** 02/10/2022

**To cite this article:**

AZEGAGH J. & ABID J. (2022) «The establishment of management control within Moroccan public administrations», Revue du contrôle, de la comptabilité et de l'audit «Volume 6: Numéro 3»pp: 111 - 128

## Summary

Morocco has embarked on numerous reforms aimed at modernizing public administration, which is subject to the new budget management rules introduced by the organic law of the finance 2016 law inspired by the main principles of New Public Management (New Public Management) who came to propose solutions to remedy the dysfunctions of public management. This approach puts at the center of its priorities the implementation of public management tools and methods, including management control, which appears to be a major function meeting the growing needs of internal management and governance of public administrations and contributes effectively to the improving their performance. The objective of our article is to shed light on the establishment of the management control system within Moroccan public administrations and the constraints related to the specificities of the public sector as well as the success factors of its implementation.

**Keywords:** Management control; Public administration ; Public Management; Performance ; governance.

## Résumé

Le Maroc s'est engagé dans de nombreuses réformes visant la modernisation de l'administration publique qui est soumise aux nouvelles règles de gestion budgétaire introduites par la loi organique de la loi des finances de 2016 inspirées des grands principes du Nouveau Management Public (New Public Management) qui est venu afin de proposer des solutions en vue de remédier aux dysfonctionnements de la gestion publique. Cette démarche met au centre de ses priorités l'implantation des outils et méthodes de management public dont le contrôle de gestion, qui apparaît comme une fonction majeure répondant aux besoins croissants de gestion interne et de gouvernance des administrations publiques et contribue de manière efficace à l'amélioration de leurs performances. L'objectif de notre article est de mettre la lumière sur l'instauration du système de contrôle de gestion au sein des administrations publiques Marocaines et les contraintes liées aux spécificités du secteur public ainsi que les facteurs de réussite de son implantation.

**Mots clés:** Contrôle de gestion; Administration Publique; Management Public ; Performance ; gouvernance.

## **Introduction**

In a context marked by the need to modernize the mode of governance of public finances, the States have become more concerned and pay particular attention to the measurement of performance. public administrations with a view to providing quality public services at the lowest possible cost through the adoption of modern management tools.

The management of public finances was called into question following the context characterized by economic, political and social changes, thus giving rise to the emergence and development of a new current of thought at the end of the 1970s, which is that New Public Management (NPM). The latter consists of introducing tools and methods inspired by the private sector into public sector structures based on the three 3 Es: “Economy, Effectiveness, Efficiency”. It is then a question of responding at a lower cost with better quality to the aspirations of citizens, who have now become customers ( Amar & Berthier, 2007).

Indeed, management control is initially designed for industrial companies in order to control the costs of their activities, since the main objective of a company is the realization of profit. However, the notion of profit is absent in public administration since it is responsible for achieving objectives of general interest.

Like other countries around the world, Morocco has clearly expressed its desire to join this transformation movement in order to ensure a profound reform towards a modern administration capable of effectively supporting the kingdom in its development. economic and social and make them able to meet the challenges imposed by their environment.

During the last decade, Moroccan public finances have experienced a real revolution with the adoption of the organic finance law which entered into force on January 1 ·2016, based on 3 fundamental principles, namely: performance, accountability and transparency. It was more than ever both an imperative and a necessity in order to better manage public funds in an efficient and effective manner in complete transparency in order to offer quality services to users.

The flagship novelty of the organic finance law introduced in 2016 was public management based on results measured by well-defined and objective performance indicators within the framework of three-year budget programming.

In order to respond correctly to the increasingly growing needs of users with the optimal use of the human and financial resources allocated, the public administration has embarked on a process of modernizing its mode of governance, by capitalizing on the experience of the private sector while taking into consideration the specificities of the public sector.

It should be emphasized that the public sector may face the same obstacles as the private sector and the tools and methods of management and management developed put in place by private companies can be successfully adopted by public administrations by making adjustments to ensure its performance (Hood, 1991).

Considering the above, the Moroccan public administration has gone through a long journey to reach this stage which is the adoption of a new managerial culture based on the improvement of performance in such a way as to make a break with the traditional management method which has demonstrated its limits. The transition to the application of innovative management control tools is carried out following a gradual approach to involve all stakeholders in order to provide quality public services while making rational use of allocated resources.

Within this framework is the object of our problematic, namely: **How to ensure the establishment of the management control system within the Moroccan public administrations and what are the factors of its success?**

In order to answer this problem, we first expose the different definitions of the concept of management control, its missions and its tools and secondly we present the steps to follow for the establishment of management control in Moroccan public administrations, and we specify the constraints related to the specificities of the public sector in the third time. Finally, we discuss the success factors of its implementation.

### **1. Definitions, missions and management control tools**

Improving performance is the ultimate objective of each organization, aiming to achieve the objectives set while making optimal use of the means made available to them. Management control can be defined as an organization management tool allowing the deployment and execution of strategies at the lowest cost in order to contribute to improving performance.

The Moroccan public administration has shown its interest in integrating into a transition oriented towards new methods of public management inspired by the private sector by adopting the organic law relating to the finance law in 2016. results-based budget was unavoidable, requiring the use of modern management tools, however, public accounting used for regulatory reasons has limitations that hinder the assessment of results since it does not reflect the the truth of the costs and the reality of the results, hence the need to use the tools and methods of management control in order to make up for the shortcomings of public accounting (Demeestère, 2005) .

Since the appearance of the management control function, several researches and reflections have been carried out in order to provide clarifications centered around the definitions, missions and tools relating to management control.

### **1.1 Definition of management control**

The function of management control within the public sector has undergone a real transition, moving from a logic of means to a new orientation towards results in order to improve performance and comply with the principles of good governance.

There are many definitions relating to management control which affirm that this concept is in perpetual evolution. We cite the definitions proposed by the following authors and researchers: A.Chandler, RN Anthony, HAS. Khemakhem , H. Bouquin and R. Simons.

- ***Definition of management control according to A. Chandler***

For A. Chandler (1962): management control is defined as: "A tool for coordinating, judging, planning and consists of determining the long-term goals and objectives of a company, adopting the means of action and the allocation of the resources necessary to achieve these objectives".

- ***Definition of RN Anthony***

According to Anthony (1965), "Management control appears as the process by which managers obtain assurance that resources are obtained and used effectively and efficiently for the achievement of organizational objectives". This definition was supplemented by the same author RN Anthony (1988): "Management control is the process by which managers influence other members of the organization to implement the strategies of the organization in an effective and efficient manner. efficient".

According to Anthony, management control supposes that the objectives are set through the influence of the actors of the organization, and that the manager is responsible for achieving the said objectives, while guaranteeing the application of well-defined strategies and the exploitation available resources effectively and efficiently.

- ***Definition of management control by A. Khemakhem***

The definition of management control according to Khemakhem (1984) is: "The process implemented within an economic entity to ensure an effective and permanent mobilization of energies and resources in order to achieve the objective what this entity is aiming for, taking into account the specificities of each company and situation".

- ***Definition of H. Bouquin***

According to Bouquin (1993) management control means: “Devices and processes that guarantee consistency between strategy and concrete, daily actions”. According to his point of view, management control is a behavior regulator. The managers responsible for developing the strategy therefore require mechanisms to ensure that the daily action of the members is consistent with the strategy.

- ***Definition of R. Simons***

According to Simons (1995) management control is defined as follows: "The set of formal processes and procedures, built on the basis of information that managers use to maintain or modify certain configurations of the activities of the organization". Simons points out that information plays a crucial role in the implementation of management control in an organization.

According to these aforementioned definitions, we can retain that since its appearance, management control has undergone many changes, passing from a simple means of control and monitoring of information to a management tool allowing the achievement of the objectives set. of an organization through a process aimed at deploying and executing strategies with optimal use of available resources.

## **1.2 The missions of management control**

The main missions of management control within an organization are as follows:

- ***Organize the management information system***

The management information system plays a crucial role in ensuring the proper functioning of the management control system. The organization must have an information system suitable for retrieving, visualizing and analyzing data relating to its achievements (results) so as to compare them with the objectives and to put in place, if necessary, improvement plans. 'corrective actions.

- ***Inform decision-making***

Management control occupies a prominent place within an organization because of the importance of the information transmitted to decision-makers, it allows them to have reliable and up-to-date data on all of the entity's activities and to know the progress of the implementation of the strategies as well as the constraints encountered, which largely helps the decision-makers to take the appropriate decisions at the appropriate time.

▪ ***Drive and improve performance***

Management control has undergone a major transition towards the notion of "performance" (Simon, 2005) . Steering is a breakdown of objectives into strategies while guaranteeing their execution with the rational use of allocated resources. Performance measurement using indicators to manage and improve performance by identifying gaps between objectives and results, and applying the corrective measures necessary to achieve the expected objectives.

**1.3 Management control tools**

Every organization seeks to perform. For this it is essential to have management control tools adapted to the objectives it wishes to achieve.

The tools of management control have undergone changes over time, going from the oldest and classic tool which is the calculation of costs representing the main objective for which management control was first created, to modern management control tools more developed in parallel with the progress of the computer system such as the dashboard.

The management controller within an organization must have the management tools listed below in order to carry out his assigned missions:

**1.3.1 General accounting**

General accounting represents a legal obligation and constitutes the first source of data for the management of the company. However, it does not provide a precise view of costs or profitability.

This accounting activity makes it possible to have an overall view of all the flows from or to the company and to translate them into financial terms. It analyzes the assets of the company, namely its assets and its liabilities, and measures the performance of the company by analyzing its results.

In addition to the fact that general accounting is a source of information for partners, shareholders, banks or the tax administration, it is also intended to:

- Compare the performance of the company to that of competitors in the same field of activity.
- Ensure financial balance through the use of ratios such as the margin rate, the value added rate or the net rate of return.
- Constitute the basis of cost accounting.

### 1.3.2 Analytical accounting

Cost accounting, unlike general accounting, is not a legal obligation, but is a tool strongly recommended in the management of a company. It presents a detailed view of all the company's activities by identifying all the costs borne by each department.

This activity also allows the management of certain elements of the accounting balance sheet such as the valuation of stocks. The main cost calculation methods used by cost accounting according to (Bouquin, 2001) are:

- **Full cost method** : based on the difference between direct and indirect costs.
- The **ABC method (Activity Based costing)** : consists of the improvement of the full cost method, the ABC has often been presented as a revolutionary method of cost calculation to calculate “more accurate” costs. In this method, the centers of analysis are replaced by “the activities” and the units of work by the cost drivers which are a measure of the workload of the activity.
- The **partial cost method** : uses the distinction between variable costs and invariable costs. It allows the analysis of the contribution of each product to cover the fixed costs and form the result.
- The **direct costing method** : only retains variable costs in the first place. This involves determining the fixed costs and subtracting them from the variable cost margin per product in order to arrive at a result.
- The **target method costing** : aims to maximize customer satisfaction while minimizing costs for the company. This method requires making a list of product functions, measuring the costs, keeping only the essential functions for users and finally determining the minimum costs for all of these functions.

### 1.3.3 Budget control

According to Bouquin (2001): "the budget is (or should be) the accounting and financial expression of the action plans adopted so that the objectives targeted and the means available in the short term (the year in general) converge towards the implementation of operational plans. Budget control integrates budgets and compares “the actual state of the system to its planned state”.

This tool periodically compares the planned data and the actual achievements in order to highlight the discrepancies that should lead to corrective actions. It is customary to consider only significant deviations, ie those whose absolute value in relation to the budget exceeds a



minimum percentage. These differences are then communicated to the managers of the cost centers concerned, who analyze them and identify the reasons for these differences as best they can.

A responsibility center means a group of actors in the organization grouped around a manager, to whom resources are granted in order to achieve the objective assigned to him.

There are 5 main responsibility centers listed in hierarchical order:

- investment center

This center must generate the best possible return on the capital invested while making a profit. The means of action relate to the capital and the investments chosen, but also to all the costs contributing to burdening the cash flow.

Investment centers, unlike profit centers, have a more long-term view.

- Profit center

This center must generate a maximum margin by improving revenue from the products sold and minimizing the costs of these products.

There are many performance and management criteria since all areas have a more or less direct influence on profit (net result, margin rate, etc.).

- Cost center

This unit aims to produce the product or service at the lowest cost, with the best possible quality. The possible performance indicators for such a center are: cost, time, quality.

- Discretionary Spending Center

These are functional services whose mission is to support an operational activity, these centers have a fixed budget.

- Revenue or turnover center

The objective of this center is to maximize the turnover of the product or the targeted activity. Its performance can be evaluated with the volume of sales or with indicators on the variables influencing sales (discount rate, payment period granted, etc.).

The centers of responsibility must know the methods of arbitration in the event of conflicts between centers and must not seek to privilege their interest to the detriment of that of the organization.

### 1.3.4 The dashboard

Indeed, the other methods are very oriented towards the financial side and neglect the non-financial aspect. The dashboard is an effective solution that takes into consideration both financial and non-financial aspects. Where does the concept of Balanced come from? Scorecard or Balanced Scorecard.

According to Gervais (1994), the dashboard is defined as being: "An information system making it possible to know permanently and as quickly as possible the essential data to control the progress of the company in the short term and to facilitate in this one the exercise of responsibilities".

For ( Hemmi & Marghich , 2016), "The dashboard can be likened to a summary table that periodically represents a series of key indicators for monitoring the overall management of an organization or the local management of a center of responsibility".

According to Bouquin (2001) the dashboard is: "A set of limited indicators (five to ten) designed to enable managers to become aware of the state and evolution of the systems they are controlling and to identify the trends that will influence them on a horizon consistent with their functions".

According to the authors (Robert Kaplan & David Norton, 1992 ) the balanced scorecard is considered to be: "a global system for clarifying and formalizing the strategy of organizations in order to deploy and implement it more effectively. Its design and its deployment necessarily involve a global organizational overhaul resulting in the facts by the establishment of a mode of management adapted to the new principle of piloting".

The balanced scorecard includes 4 essential axes:

- Financial axis;
- Customer focus;
- Internal processes axis;
- Learning and growth axis.

The main areas of the balanced scorecard and their purposes are illustrated in the figure below:

**Figure N°1: The 4 axes of the balanced scorecard**



Source: Authors

## **2. The steps to follow for the establishment of the management control system within the Moroccan public administrations**

Every company aims to increase its profitability on a sustainable basis. The organic finance law adopted in 2016 has placed at the heart of its concerns the assessment of the performance of the public sector through the borrowing of management control tools operated by the private sector and working on its adaptation taking into account the peculiarities of the public sector.

Budget management by programs responds to the objectives of the reform induced by the LOF set out above. Indeed, the program provides a framework for performance monitoring. A program budget is structured according to public policies and presents the objectives of these policies. It thus contributes to transparency and accountability to Parliament and citizens.

The program is a very important element of the new budgetary mechanism. According to article 39 of the organic finance law: "A program is a coherent set of projects or actions coming under the same ministerial department or the same institution and to which are associated objectives defined according to the purposes of general interest as well as quantified indicators allowing to measure the expected results and are the subject of an evaluation which aims to ensure the conditions of effectiveness, efficiency and quality linked to the achievements".

Each ministerial department appoints a program manager responsible for building the program and drawing up reports and organizing management dialogue.

The implementation of management control in Moroccan public administrations requires the achievement of the ideal combination of the different axes of the performance approach presented in the figure below:

**Figure N°2: The axes of the performance approach**

**Source:** Authors

The approach to performance is articulated around three essential axes:

- **Goals**

Following an internal and external diagnosis of the needs, the central administration determines the priority objectives to be achieved according to the resources allocated and in consultation with the various stakeholders and in convergence with public policies, sectoral strategies and the government program.

Given that the means of the State are limited, the phase of the determination of the objectives plays a very important role in the improvement of the performance of the administration in the long term.

The objectives set must be measured by so-called “SMART” indicators: (Specific, Measurable, Achievable, Realistic, Time-bound) in order to be able to effectively monitor the deployment and execution of objectives.

- **The means**

The means represent all the resources available to an organization and which are mobilized to achieve the objectives. The means include: financial, human and technical means.

The rationalization of the use of available resources makes it possible to guarantee the principle of efficiency in achieving the targeted objectives.

In terms of resources, it is clear that public administrations are subject to specific management rules in connection with the State's public finance system .

- **The results**

In terms of results, the constraint that arises in public administrations is to be able to measure these results. This is not obvious for certain services which remain difficult to measure and

quantify since they are generally immaterial on the one hand. On the other hand, there is the problem of co-production which associates these organizations with other parties and which makes it difficult to measure the contribution of each. Finally, in public administrations, it is often difficult to make the link between the resources mobilized and the results achieved (discretionary activity).

Performance assessment is of crucial importance since it provides visibility on the progress of the various strategies put in place. Performance measurement ( Hubault , 1999) must ensure consistency between the three components:

- **Effectiveness:** describes the achievement of objectives. It is the comparison between the objectives set at the start and the results achieved, hence the challenge of having clear objectives at the start. The interest is to measure deviations and to be able to analyze them.
- **Efficiency:** concerns the rational use of the means available and aims to analyze whether the objectives have been achieved at the lowest cost (financial, human and technical).
- **Relevance:** the consistency between the objectives pursued and the resources put in place for this purpose, this is the representation of the consumption of resources of an entity for the achievement of a goal.

### **3. The constraints related to the specificities of Moroccan public administrations in the establishment of a management control system**

The implementation of management control within public administrations still faces difficulties that hinder its establishment (Bartoli & Blatrix , 2015) . They can be summarized as follows:

- The difficulty of translating political objectives into practical modalities given that the administration has multiple and difficult to measure objectives which are generally objectives of general interest;
- Resistance to change: the transition from a logic of means to a logic of public management based on results generates resistance on the part of certain administrators and managers that can block or delay the development of an information system such as the management control;

- The difficulty of measuring the results given the diversity of the missions of these organizations, their administrative nature and the co-production which associates the administration with other parties;
- The obligation to comply with the specific rules of public management, which greatly reduces the room for maneuver of the management controller;
- An outdated information system that does not fully meet the requirements of management control tools since the success of the implementation of performance is conditioned by a developed and modern information system;
- The inadequacy of the accounting system: the establishment of general accounting and analytical accounting within the Moroccan public administration constitute the cornerstone from which all the management control tools will be easy to implement.

Most of the obstacles faced by management control in its implementation in the Moroccan public administration are related to difficulties related to objectives, means and results, to the resilience of mentalities as well as the lack of performance of the information system.

#### **4. The success factors of the establishment of the management control system within the Moroccan public administrations**

After citing above the obstacles related to the implementation of the management control system in public administrations, the measures likely to succeed in its introduction in order to overcome these constraints (Bartoli & Blatrix , 2015) are set out as follows:

- The focus on setting specific and specific objectives that can easily be measured and quantified;
- Encouraging the taking of the initiative and further broadening the leeway in the administration for the actors involved in the implementation of a management control tool;
- The progressive installation of the managerial culture dedicated to the importance of the appreciation and the valorization of the performance;
- The implementation of a sophisticated and efficient computer system which constitutes a preliminary and major element in the implementation of management control and must be able to support the administration in achieving its objectives by providing reliable and up-to-date information and which makes it possible to strengthen communication and sharing between the various actors concerned by the transfer of data at the desired time;

- The consolidation of cooperation and collaboration between the management controllers and the managers of the organization;
- The organization of continuous training for the benefit of management controllers in order to better master management control management tools and learn about new developments in this area.
- Keeping general and analytical accounts is essential insofar as they constitute a fundamental source of information for the implementation of management control efficient.

The performance of a management control system depends on the degree of development and effectiveness of internal control. The Moroccan administration has embarked on numerous reforms, and continues to do so, while drawing lessons from previous experiences with a view to improving its functioning.

### **Conclusion**

The current national situation is characterized by the strong desire to instill the principles of New Public Management, and offers favorable conditions for the establishment of a management control system within its public administrations in Morocco. .

The success of the implementation of this management system is conditioned by the adaptation of the organization, its working methods and its modes of governance to this new tool through the inspiration of the methods applied in the private sector and to make modifications to them while taking into consideration the specificities of public administration with a view to improving its performance and providing quality services to users.

The Moroccan public administration has clearly shown its interest in joining this New Public Management by adopting the organic finance law in 2016 which is considered a real revolution and which established the irrevocable transition towards a budget management logic based on measured results. through performance indicators, transparency and the strengthening of the role of parliament in the control and evaluation of public policies in order to guarantee the principles of good governance stipulated by the 2011 constitution. It is a change in the culture management of the system, of which human capital remains the essential element, and the establishment of cost accounting and an efficient information system remain essential prerequisites for its success.

This article aims to shed light on the main steps to follow for the establishment of the management control system within the Moroccan public administrations while valuing human resources since they play a crucial role in the success or the failure of its implementation. The public administration which has an effective management control system will further strengthen the public policy evaluation system because the outcome of these policies automatically means the implementation of the strategies drawn up by the various ministries.



## BIBLIOGRAPHY

- AMAR, A. & BERTHIER, L. (2007). New public management: advantages and limits. *Revue Gestion et management publics*, vol. 5.
- ANTHONY RN (1988), *The Management Control Function*, Boston, MA, The Harvard Business School Press , *The management control function*, Paris, Publi - Union, 1993.
- ANTHONY, RN (1965). *Planning and control systems : A framework for analysis [by].* Division of Research , Graduate School of Business Administration, Harvard University .
- BARTOLI A. & BLATRIX C. (2015), *Management in public organizations*, Dunod , Public Management collection, 4th<sup>edition</sup> , 2015.
- BOUQUIN H. & PESQUEUX Y. (1999). *Twenty years of management control or the transition from a technique to a discipline.* French-speaking accounting association.
- BOUQUIN H. (1993), *Management Accounting*, Sirey, Paris.
- BOUQUIN H. (2001), *management control*, PUF, Paris (5th ed.).
- CHANDLER A. (1962), *Strategy and structure: chapters in the history of the industrial empire*, Massachusetts Institute of Technology press .
- DEMEESTERE R. (2005), *For a pragmatic view of accounting*, French review of management.
- GERVAIS M. (1994). *Management control. By the budget system*, 3rd edition.
- HEMMI M. & MARGHICH A. (2016). *Management control.* Edition: El Maarif Al Jadida-Rabat.
- HOOD C. (1991), “A Public Management for All Seasons ”, *Public Administration*, Vol. 69.
- HUBAULT F. (1999), *Commitment to work, commitment to work. The challenges of measuring labor productivity, Human & technical performance*, Special issue September.
- KHEMAKHEM. A: *The Dynamics of Management Control* Published in January 1984.
- NORTON D. & KAPLAN R (1992). *The Balanced Scorecard , Measures that drive performance.* Harvard Business Review .
- SIMONS R. (1995). *Levers of control: how managers use innovative control systems to drive strategy renewal ,* Harvard Business School Press , Boston, MA.

- Organic law n°130-13 relating to the finance law [**consulted on 08/09/2022**] available on the internet: <http://lof.finances.gov.ma/>.