

# The Impact of Mutual Monitoring and Enterprise System Integration on the Empowerment of Managers

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## ABSTRACT

Companies are increasingly adopting enterprise systems in order to realize the significant operational advantages they convey. These benefits include reductions in operating costs, improved customer service, and efficiency gains. Using the theoretical lens of Mary Parker Follett, this article explores potential behavioral benefits associated with enterprise systems. Evidence provided by the authors' field survey suggests that enterprise systems empower managers by enhancing both mutual monitoring and social identification among peer managers.

## KEYWORDS

Enterprise Systems, Impact, Integration, Mutual Monitoring, Psychological Empowerment, Social Identification

## INTRODUCTION

Enterprise systems, such as enterprise resource planning systems and enterprise application integration systems, dominate the information technology utilized in large organizations. These systems span across an organization's various business units, functions, and geographic regions to provide enterprise level information. Due to their ability to decrease cycle times and improve customer service at reduced operating costs, many firms implement enterprise systems to remain competitive (Rikhardsson & Kraemmergaard, 2006). Enterprise system implementations have been reported to have drastic impacts on business, motivating large numbers of case studies and event studies on their implementation (e.g. Rikhardsson & Kraemmergaard, 2006; Quattrone & Hopper, 2005; Poston & Grabski, 2001; Nicolaou, 2004). However, there are few generalizable studies on the behavioral impacts that enterprise systems have upon managerial control (Arnold, 2006; Chapman & Kihn, 2009; Sardo, 2018).

Empowerment represents the amount of perceived influence an employee has over organizational outcomes as well as their confidence to perform their job effectively. Chapman and Kihn (2009) find that enterprise system integration develops more enabling controls that should empower an organization's employees. However, research also reports that enterprise system integration can empower some organizational members, while limiting others (Sia, Tang, Soh, & Boh, 2002; Elmes, Strong, & Volkoff, 2005). Because empowerment is associated with both job satisfaction and

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performance (Seibert, Silver, & Randolph, 2004; Hall, 2008), the potential for enterprise systems to empower middle managers offers a practical, and mutually beneficial, outcome for both organizations and employees.

Mary Parker Follett emphasized the roles of cooperation and power sharing in developing her theory of management control (Follett & Graham, 1995; Gibson & Deem, 2016). Using the facets of Follett's theoretical lens, this study examines the empowering capabilities of enterprise system integration. Specifically, the ability of integrated enterprise systems to facilitate the development of a group identity among peer managers directly, as well as indirectly, through the process of mutual monitoring (Lee & Lee, 2000; Towry, 2003) is examined. Furthermore, this study also examines whether social identification with peer managers increases managers' empowerment cognitions (Follett & Graham, 1995; Sluss & Ashforth, 2008; Randolph, 1995).

Empowerment in this study refers to one component of psychological empowerment; impact (Spreitzer, 1995). Impact is defined as the amount of perceived influence over organizational outcomes. Data to test the theoretical relationships are derived from a field survey administered to 206 managerial level respondents representing a variety of industries. Relevant constructs of interest are adapted from previously validated measures, and include enterprise systems integration, social identification, mutual monitoring, and empowerment. All constructs are tested using structural equation modeling.

Findings presented in this study suggest that enterprise systems empower middle managers. Significant positive associations are found between enterprise system integration and, both, mutual monitoring and social identification among peer managers. Social identification is found to drive the construct of impact, and thus promotes empowerment.

The results of this study contribute to the accounting literature in several ways. Firstly, it adds to the sparse area of generalizable studies that address the impact of enterprise systems on managerial control systems. This study shows that enterprise systems facilitate empowering managerial control systems. Secondly, it examines the relationship between peer control mechanisms and social identification. While previous studies employ experimental and qualitative research methodologies to demonstrate that peer controls encourage group members to internalize group goals and act in the best interest of the group (Widener, Shackell, & Demers, 2008; Rowe, 2004; Towry, 2003), this study employs the field survey methodology to verify the occurrence of this phenomenon in the workplace. Thirdly, this study specifies social identification as a mechanism through which managers can be empowered.

The rest of this paper is organized into seven sections. The theory section explains the overarching theory and explains Follett's theoretical concepts. Detailed support for the individual relationships predicted by the overarching theory is explored in the hypothesis development section. The research methodology section details how the data is collected. Statistical findings are reported in the results section. The discussion and limitations sections elaborate upon the theoretical significance of the statistical findings, while the conclusion focuses upon how the theory and findings contribute to academia and practice.

## **THEORY**

Enterprise systems disseminate information up and down an organization. This free flow of information is designed to empower frontline employees and provide increased organizational control to upper level executives. As organizations adopt enterprise systems, middle management is forced to release some of its decision-making authority to the frontline, as well as information that was previously proprietary to the broader organization. While anecdotal evidence suggests that lower level middle managers are eliminated, the impact to mid-/high-level managers is not clear. Critical theory suggests that enterprise systems are designed to flatten organizations and marginalize middle management (Rochlin, 1997). However, cross-functional information sharing fostered by enterprise system integration may enhance certain aspects of middle managers' control (Follett & Graham, 1995).

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