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## CHAPTER 10. INFORMATION

### **10.1 Introduction**

The structure of this chapter is similar to the previous chapter. After this introduction, findings for the key category of information are explained in 5 separate sections. Contextual factors are then summarised, before findings are compared to literature on information, to cultural theory and to cross-national empirical research into management control. Conclusions for the chapter are then summarised.

#### 10.1.1 The key category of information

This key category identifies differences between managers from mainland China, Czech Republic and the UK in how they see information as important to providing control assurance.

While all 30 axial respondents saw information as important to management control, differences in these views were not identified as being significant to the cultural research findings until the closing stages of the fieldwork. However, at that stage it appeared that some of the comments, made by some axial respondents and the wider body of interviewees, added further insight to the patterns that managers from the 3 countries in their perceptions of gaining control assurance.

These differences in control perceptions referred to informal communication of information not to formal information systems. This reflects much standardisation of formal information and control systems across countries by each of the two MNCs: differences appeared in what was not standardised. Furthermore, most of the discussion by interviewees and their control concerns referred to gaps between formal systems and to informal communication of information.

#### 10.1.2 Interviewees

Because this key category was not identified until near the end of the fieldwork, many axial respondents were no longer available for further discussion. Therefore the views of only 20 out of the 30 axial respondents are included in this key category. Nevertheless a further 37 interviewees gave views that were included in selective coding for this key category. Some variety in background of the total 57

interviewees for this key category was achieved, as indicated in Table 10.1, although views of only 4 interviewees from CoY in the UK were included. Nevertheless, as will be shown in Chapter 13, a sufficient number of views were gathered from both MNCs to demonstrate that the findings for this key category do not represent differences in corporate rather than national culture.

Location Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
					Male	Female	
UK: CoX CoY Other	6				6		15
	1		2	1	4		
	2	2	1		3	2	
Prague: CoX CoY Other	1	6			5	2	17
	2	3		2	6	1	
		3			3		
Beijing: CoX CoY Other	2		5	7	10	4	24
			5	1	2	4	
			4		3	1	
Elsewhere: Other			1		1		1
TOTAL	14 =====	14 =====	18 =====	11 =====	43 =====	14 =====	57 =====

**Table 10.1: Interviewees for selective coding on information**

### 10.1.3 Overview diagram

An overview of the key category of information and its sub-categories is given in Figure 10.1. As with the overview diagrams for other key categories, this shows only differences in perception between managers from mainland China, the Czech Republic and the UK.

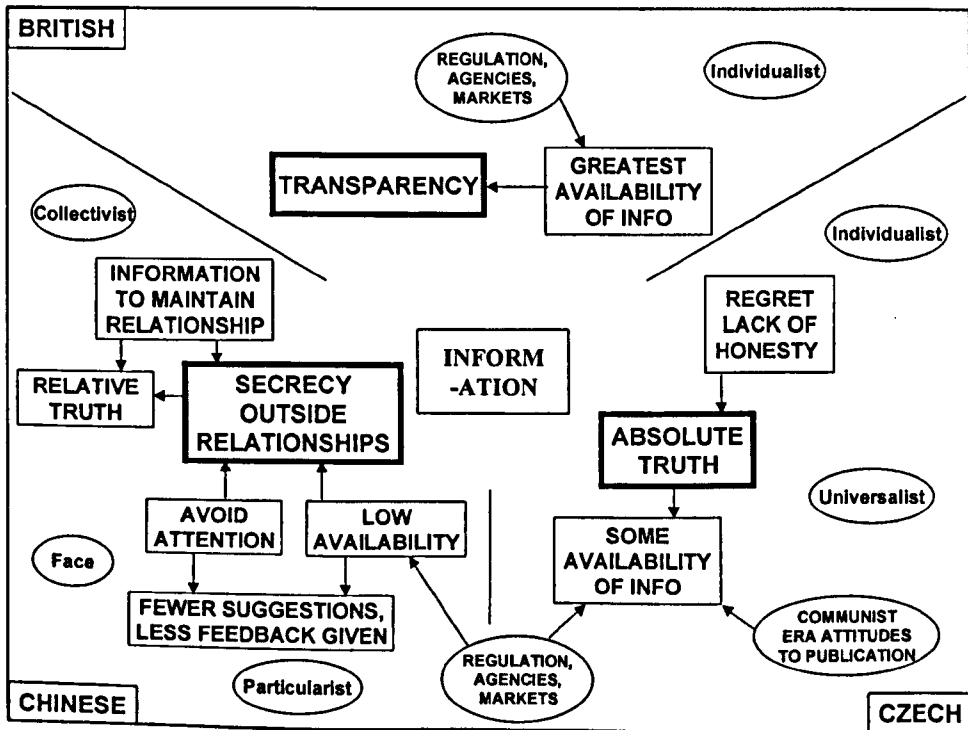


Figure 10.1: Differences in perceptions of information<sup>69</sup>

## 10.2 Chinese avoidance of personal attention

A number of comments illustrated reluctance by Chinese people to appear conspicuous from volunteering information or ideas (*interviews # 855, 879, 1215*), the implication being that to stand out is to risk losing face. Mainland Chinese people were described as less forthcoming than those in Hong Kong, speaking out only if they trust the person they are speaking to (*interview # 801*).

<sup>69</sup> The use of boxes, ovals and arrows in this diagram follows the convention used and explained for Figure 7.1.

Related to reluctance in communication because of fear of losing face, is the mainland Chinese virtue of studied modesty (*interview # 846*), based on a desire of not wanting to stand out as better than others. This was reflected in the words of another interviewee:

*"We are influenced by Confucius who said you should be obedient and modest. Also proverbs we were told by our elders when we were young, and are still told by mothers today to their children, such as ,*

*yu shi wu zheng*

与世无争

*'Hold oneself aloof from the world', stand aloof from success (and you will be safe);*

*ren pa chu ming, zhu pa zhuang*

人怕出名，猪怕壮

*'Men fear fame, like pigs fear getting fat' "* (*interview # 1215*).

These views are represented in Figure 10.1 by the box labelled 'Avoid Attention'. As this figure indicates, there are implications for feedback and hence for management control. This is examined after considering availability of information.

### **10.3 Availability of public information**

Differences in availability of public information were identified, from tight secrecy in China, through lesser secrecy in the Czech Republic, to relative openness in the UK. For example, in mainland China accounts for unlisted companies are not published and, at the time of the field work, court decisions were not available (*interviews # 594, 684, 885*). Also there was no public register of property holdings, which made checking ownership and mortgages impossible (*interviews # 684, 885, 702*). In the Czech Republic, accounts of unlisted companies are also generally not available (*interviews # 264, 354*), but some court decisions are published at least locally (*interview # 312, 354*). There is also a Czech public land register, although there may be doubts about title and mortgages (*interviews # 282, 483*). There are therefore more possibilities for checking on the assets and liabilities of companies in Czech Republic than in mainland China. In the UK, Companies House makes company returns on all companies available to the public, court decisions are

published, while land ownership and securities can be verified. This was observed to impact upon the extent that external information could be relied upon, for example, in setting credit limits for new customers (*interview # 288, 528, 822, 885, 1018*). This increased the necessity in the Czech Republic and more so in mainland China of gaining control assurance through informal communication channels. It also increased challenges of working between gaps in what was possible with formal control systems.

Public information may be viewed as transparent if it conveys information that allows the nature of the underlying subject to be understood. Lack of this transparency in the Czech Republic is illustrated by the anecdote of a local Czech auditor who qualified a bank's audit report by reference to what he put in his unpublished letter to the bank's management. This lack of publication would probably have led in the UK to criticism of the auditor by the Stock Exchange and his profession, if not also by the Bank of England as bank regulator<sup>70</sup>. The Czech National Bank accepted that the auditor had truthfully done his job, but from then on required to see all such auditors' letters to Czech banks, thus still leaving Czech securities markets unaware of reasons for audit qualifications (*interview # 1064*).

In commenting on transparency, an interviewee pointed out (*interview # 1221*) that in China and the far East people accept information more at face value, such as a profit forecast given by a Chief Executive, without requiring independent verification. This does not necessarily mean that Chinese investors believe such information to be more accurate, than would British investors. The point being made by the interviewee was that Chinese investors would tend to rely more on the Chief Executive's reputation, which would be ruined if his or her profit forecast turned out to be wrong or misleading. Of course even in the UK credibility can be destroyed by unreliability. This parallels a comparison made by another interviewee between British business people relying on audited accounts, whereas locals in mainland China generally do not trust them, seeing them as prepared and audited specifically for tax purposes and bearing little information content for other purposes (*interview # 885*).

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<sup>70</sup> The Bank of England was still the UK bank regulator at the time of the field. The FSA became the UK bank regulator on 1 June 1998.

Unwillingness of Czech public officials to provide information was attributed to attitudes from the Communist era (*Prague Post* # 414). At the same time, there was evidence of frustration by Czech people at this lack of public transparency. For example the press reported with respect to a scandal about funding of a Czech political party :

*"Every citizen of the Czech Republic is entitled to know the truth." (Prague Post # 1101).*

An interviewee (interview # 279) blamed lack of transparency for the rise of financial fraud known locally as 'tunnelling', which was receiving criticism in the press (*Central European Business Weekly* # 393; *Prague Post* # 540). Havel, the President of the Czech Republic, called on Parliament for more transparency:

*"I am deeply convinced that the more transparent, the more clearly structured and more understandable a legal system we will have, the greater will be the chance that it will be respected." (WWW # 1099).*

#### **10.4 Availability of information between organisations**

This pattern of information maintained in the public sector is reflected in the availability of credit information from the private sector. Credit reference agencies are appearing in mainland China, where they have to work from relatively little information (interviews # 594, 702; documents # 705, 966, 969 and 979). An interviewee pointed out that one of the difficulties faced by credit agencies in mainland China is unwillingness of Chinese companies to expose information about themselves to strangers (interview # 885).

In the Czech Republic a few agencies are established and have a slightly wider range of information to work from (phone call # 72; interviews # 312, 354; documents # 315, 327, 357 and 360). While some information on unlisted companies is available, it is limited and Czech companies are reluctant to divulge information about themselves to strangers (interviews # 264, 354). Interestingly Czech law prevents disclosure of personal information on individuals, such as directors' dates of birth (interview # 312). This perhaps reflects the importance of the individual within Czech culture, as shown above for self interest (Figure 7.1), for individual responsibility (Figure 8.1), and for loyalty to oneself (Figure 9.1).

In the UK credit reference agencies are well established and have considerably wider sources of information (*documents # 48 # 229 # 230; interview # 69; WWW # 28*).

Whereas banks in the UK provide credit references (*document # 57; manual # 48*), they do not in mainland China and the Czech Republic. It was explained that mainland Chinese banks treat such information as confidential: knowledge and understanding about their clients is seen as proprietary, and is important to how banks make money, while clients do not want others to know about them (*interviews # 765, 777*). It is also claimed that banks' Chinese clients are not transparent in telling their bankers about themselves (*Far East Economic Review # 625*), while customers do not like to divulge information.

The relatively greater exchange of information between British, as opposed to Chinese or Czech, organisations was illustrated by an anecdote of how a UK financial regulator, the SFA, used information from a quite separate agency, Companies House, to ensure that regulations were being followed (*interview # 1134*). It was also illustrated by the apparent readiness of customers to give copies of their internal management accounts to their suppliers (*interviews # 108, 1302, 1317*).

This pattern of availability of information between organisations further impacted on how much external information could be used by formal management control systems. In the more extreme situation of mainland China, this severely restricted how much formal systems could be used (*interviews # 822, 885*), and it appeared that greater reliance was placed on informal information networks between organisations (*interview # 978*).

In dealing with internal fraud, Chinese organisations apparently have a much stronger preference, than do Western organisations, for accepting resignations by culprits than for involving the authorities and thereby losing face (*interview # 930*).

## **10.5 Internal and interpersonal availability of information**

### **10.5.1 Chinese attitudes**

At the personal level, a Hong Kong Chinese interviewee said he found it strange how Western people on a Friday evening like to go to a bar, to talk after work, to tell stories. He prefers to play tennis or mah-jong.

*“Why do they like to expose themselves so much, to say what they are thinking and feeling?” (interview # 803).*

If this is a preference for secrecy, a further example showed how mainland Chinese managers prefer not to be in a position where information can be used as evidence against them. Chinese members of a joint venture were described as liking critical internal audit findings to be communicated verbally, rather than being put in writing; they receive the message but are not threatened by written evidence (*interview # 15*).

The Chinese tendencies for low availability of information within organisations, between organisations, and in the public sphere, are illustrated by the box in Figure 10.1 labelled ‘Low availability’. Among 20 interviewees, all of them by number, and four fifths by weight of opinion, were of the opinion that mainland Chinese people assume or expect information to be narrowly held, that is not made widely available<sup>71</sup>.

Low availability of information appears to have implications for flow of feedback information, which is illustrated in Figure 10.1 by the box labelled ‘Fewer suggestions, less feedback given’. Mainland and Hong Kong Chinese managers were of the view that indigenous mainland Chinese organisations often suffer serious lack of feedback information to policy makers on how policy is being implemented (*departmental lunch # 683*). This may arise from lack of sufficient relationship between multiple levels of bosses and subordinates, and from general reluctance to pass on negative information. Furthermore, subordinates may be encouraged to make suggestions for improvement only where they can be sure that the suggestion will work (*interview # 1119*). This was connected to Chinese reluctance to step outside one’s comfort zone (*interview # 933; Fax # 1389*). The giving of less feedback has a parallel in the significantly lower preference for monitoring of control by mainland Chinese axial respondents, than by Czech or British axial respondents, identified in their diagrams of credit control (Table 6.2).

Apart from situations described above involving loss of face, lack of modesty, or potentially dangerous disclosure of secrets, there were a number of examples where Chinese managers and business people communicated more than might be expected

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<sup>71</sup> The other one fifth of opinion was unclear on this.

by Czech or in some cases British people. Chinese managers remarked on how Chinese staff often check with their boss before making decisions, even for those matters that are clearly within their authority (*interviews # 771, 832*).

Secondly, among senior Chinese executives within a management team there may be a very short, direct, feedback cycle. This depends upon a clear understanding of what is required, and that bad as well as good news needs to be communicated in both directions. This communication may be more rapid, direct and frank than is typical among Western senior managers (*interview # 15*).

Thirdly, networks of Chinese contacts can transmit informal information remarkably quickly. After threatening a non-paying customer in Inner Mongolia, a manager heard about it the next day from an apparently unconnected source in Beijing (*interview # 786*).

Therefore it appears that Chinese reluctance to be open with information may be reversed where it is a matter of maintaining valuable relationships. This communication within a relationship, whether between people in different organisations or between boss and subordinate, may be part of the process by which the relationship is maintained. These opposing tendencies of general secrecy and of information exchange in order to maintain relationships are illustrated in Figure 10.1 by the boxes labelled 'Secrecy outside relationships' and 'Information to maintain relationship'. These opposing tendencies appear to indicate that Chinese managers tend to see information not as a public commodity, but as losing value when it is widely held. Therefore, narrowly held information within an exclusive in-group can be valued where it enhances the knowledge based influence of that in-group.

#### 10.5.2 Czech attitudes

Czech people tend to be relatively secretive compared to British people (*interview # 1077*). Among 10 interviewees, 8 by number and nearly half by weight of opinion thought that Czech people assume or expect information to be narrowly held, that is not made widely available. About two fifths of the weight of opinion was undecided. 2 interviewees and nearly an eighth of the weight opinion was that Czech people expect openness in information.

As example of the moderate trend towards Czech secrecy, it was said that Czech staff are unwilling to keep their bosses informed. This was attributed to fear of revealing problems, which, in the previous Communist regime, might raise a lot of problems for oneself (*interview # 423*). The pattern of Czech availability of information, being greater than Chinese but less than British, whether within organisations, between organisations or in the public sphere, is illustrated in Figure 10.1 by the box labelled 'Some availability of information'.

It was claimed that Czech people tend not to understand why insider dealing is wrong, as for them information is exclusive, that is personal, rather than a potentially public commodity (*interview # 1019*). This may however, also be attributable to perceiving morality in personal terms rather than in terms of roles.

So, in contrast to the pattern for Chinese attitudes to information, it appears that there tends not to be a softening of Czech preferences for secrecy where a relationship between people is involved. Indeed, the law against publication of personal information (*interview # 312*) may suggest that secrecy is all the more important where it involves personal identity.

### 10.5.3 British attitudes

All among 7 British interviewees thought that information should be widely available. The opinion was that monitoring within an organisation should be done with free flow of information, that is in a way that is generally open or transparent to all. For example, one of these said that some British managers, similar to some Chinese managers, like to keep their boss informed so that there are "no surprises" (*interview # 1158*). In this case, unlike the Chinese example of keeping bosses informed, the objective appeared to be to maintain information flows and avoid surprises rather more than to maintain relationships. From the superior's point of view it was said

*"I think (British managers) need to demonstrate that people have done what they are supposed to do. .... ought to be able to follow some kind of audit trail"*  
(*interview # 1125*).

This British interest in an audit trail probably sits less comfortably with Chinese concern that there be no potentially incriminating evidence. It was illustrated in an extreme form by an observation in quite a few British, as well as in many American,

banks. Apparently supervisors in these banks can send staff, who are working on a spreadsheet in a networked computer, a message that part of their work is wrong (*interview # 1134*).

This flow of information in British organisations may also be more extensive than required for monitoring. League tables plotting manager's, including senior managers', performance were pinned up in a UK office beside the coffee machine, where all staff could not fail to see them (*observation # 1291*). This was despite them often causing some embarrassment to managers whose performance appeared below norm (*interview # 1297.2*). In contrast, these same league tables were calculated and used in the organisation's Prague office, where they were referred to as 'Tables of Shame' but were not posted for all staff to see (*interview # 1089*). It appeared that such league tables were not produced for the organisation's Beijing office (*interviews # 768 and 882*).

A further mention of British preference for transparency was the view that the assumptions on which critical decisions were made should be transparent, so that others could monitor the decisions (*interview # 1149*).

There may be some connection between British general preferences for transparency and the British tendency to regulate affairs by means of roles rather than through personal relationships or relying on principles and personal responsibilities. It was suggested above (9.7 *Roles in organisational structure*) that the key elements of regulation through roles are what actors in a role are expected to do, and their interests in performing that role. To these might be added transparency of information, both in order to illuminate the interests that they bring to the role so that conflicts of interest can be avoided, and in order to monitor their performance in that role. The latter is part of British meanings for accountability (discussed in 8.3.1 *British views*). A third of the weight of opinion among British interviewees saw accountability as a combination of a responsibility owed to somebody, i.e. in a role, together with information or explanation on how that responsibility has been fulfilled. This proportion of opinion rose to over half for information or explanation with responsibility not necessarily owed to somebody.

The wide British availability of information, whether within organisations or between organisations, is illustrated in Figure 10.1 by the box labelled 'Greatest availability of information'.

## 10.6 Accuracy and truth

### 10.6.1 Chinese attitudes

It was said that, whereas Westerners may tend to look for absolute truth, Chinese people look for relative truth dependent upon the particular situation (*interview # 786*) and upon relationships with people (*interview # 930*). This is illustrated in Figure 10.1. Among 7 interviewees, all by number thought that Chinese people tend to see truth as relative; only one among these 7 had a shade of uncertainty in their opinion. While a Western person might expect absolute truth in a business partner, a Chinese person would expect his or her business partner to give support rather than to stand on principle (*interview # 1212*). Information may therefore be withheld or modified in order to maintain the relationship or to protect the provider of information (*interview # 804*).

This was also illustrated with an explanation of what happens when auditors ask a selection of an audit client's customers to confirm trade debtor balances owed to the audit client. It was maintained that the accuracy of this information given to auditors in mainland China is not rated very high because Chinese customers, valuing their relationship with their supplier, that is with the audit client, confirm whatever figure the supplier wants confirmed. These figures, 'confirmed' by Chinese organisations, are seen as for audit purposes only, and customers are not held to them by suppliers seeking debt recovery (*interview # 765*).

Similarly, as explained above, not much credence is given by investors, lenders and suppliers to audited accounts of unlisted Chinese companies because these are prepared only for tax purposes (*interview # 885*). Furthermore it was said that in the case of audited accounts of banks, bad debt provisions are only allowed under mainland Chinese accounting standards if within the 1% general provision allowed for tax purposes, and the alternative of total write off is seldom taken (*interview # 981*). And finally, mainland China's bankers apparently do not pay much attention to the accuracy of financial information they are given by borrowers because of its

low quality: in some cases the opening balances cannot be reconciled to the closing balances from the previous financial statements (*interview # 981*).

It was reported that for construction of a joint venture factory in Shenzhen, southern China, an independent Singaporean engineering firm questioned stability of the ground. Yet construction went ahead on the basis of a Chinese Government soil survey which proved to be less than accurate (*Economist # 1266*).

The researcher was warned that Chinese people would tell him what they think he wanted to hear, not what they really think (*interviews # 645, 786*). This was borne out during the field work, when Chinese interviewees were more prone than Czech or British interviewees to appear to give replies that they thought the researcher wanted to hear (*interview # 960, 819*).

#### 10.6.2 Czech attitudes

In contrast, there were Czech concerns about accuracy (*document # 477*) and truth. For example (*interview # 1029*),

*"You cannot have liars in your department".*

An interviewee referred to the phrase

*Pravda zvítězí, 'Truth will prevail',*

which he attributed as the words of the Czech martyr Jan Hus dying at the stake in 1415, and as adopted by both Masaryk, the first president of Czechoslovakia, and the last, Havel, now president of the Czech Republic (*interview # 480*). These words popularly attributed to Jan Hus appeared to have considerable significance to Czech people. Interpretations by interviewees were as follows. A man will be judged according to how good he is, rather than according to whether he followed the prevalent religious practice of the time of buying indulgences (*interview # 480*). 'Truth will prevail' is a statement of religious conviction in the face of severe persecution (*interview # 1297.2*). In it 'truth' means ethical behaviour, so Jan Hus would have accepted that he was a heretic, and hence unethical, if his accusers could prove it from the scriptures; 'Truth will prevail' therefore represents a Czech search for morality and personal truth (*interview # 1019*). The words of Jan Hus were also quoted as "*Pravda nadevše*" implying truth above all principles (*interview # 570*).

These meanings of truth as true to God, to the scriptures, to one's convictions, or to oneself, are forms of absolute truth. That is, immutable by change of situation or of interpersonal relationship. This absolute truth is illustrated in Figure 10.1. Among 10 interviewees, 9 described Czech attitudes to truth in absolute terms. Just 1 of the 10, and a seventh by weight of opinion, was uncertain in their description of this. Absolute truth is probably reflected in the moral undertones to responsibility for Czech people. It will be remembered that the Czech view of responsibility tended to be understanding what one as an individual should do as a duty to oneself, to one's immediate community and possibly to society at large (8.2.2 Czech views).

Truth, in the sense of being honest to oneself, was reflected in the complaint of an interviewee about an internal newsletter publicising a new organisational structure:

*"The words attributed to me were not mine; they had been put to me by someone from (head office), and I said 'OK if you want'. But they were not what I really thought. The worst was that in these words I was supposed to have said, that I would get to work with (others from other countries), but nothing has happened. .... Now we hear all this about the new organisation that will come ..., that it is much better and hence the old was bad, but can we believe it?" (interview # 1068).*

This complaint was accompanied by a comparison to the previous Communist regime. A similar comparison was made when a budget was imposed so that unrealistic details had to be used in order to arrive at the imposed total:

*"it is just like Communism; I can get the right answer for you";*

while those Czechs who did not joke were upset by the need for dishonesty (interview # 555). Both of these examples show how concern for truth was expressed as a rejection of practices under the previous Communist regime.

Examples were also given of frustration with business plans set to please bosses rather than to spell out truthfully what was known to be inevitable (interview # 291), and of paucity of honesty by managers in explaining matters to staff (interview # 1068). Staff in some companies were dissatisfied with how little information was given to them (interview # 561). In another case

*"They will not explain why there is no salary increase when at the same time saying we have done well. It would be better to say that we have not done well, then we would know where we stand and we might try harder to*

*improve the situation ... We have these meetings to explain ... we put our questions in writing, but the really difficult questions are not answered” (interview # 1035).*

These reactions to lack of honesty are illustrated in Figure 10.1. Yet, at the same time it was admitted that Czech people could lie just as frequently as other people (interviews # 555, 567).

## **10.7 Transparency, trust and relationships**

### 10.7.1 Chinese attitudes

The view expressed by an interviewee, that trust is more important to Chinese people than transparency (interview # 801), is an example of a view probably widely held that Chinese control mechanisms rely more on implicit relationships between people than on explicit and clear reporting of information.

A Western manager said how an investment proposal, which his Chinese subordinate persuaded him to approve, turned out one year later to bear no relation to the proposed plan; “It was a pack of lies!” he exclaimed. A Chinese interviewee suggested that the proposal might have been justified, although it was misleading in its inaccuracy, if it had for example built a relationship and thereby created opportunities (interview # 993). Another interviewee’s explanation for this was that the Western boss and Chinese subordinate had probably not developed mutual thinking and understanding. In this case, the Chinese subordinate would be reluctant to trust his Western boss with his feelings, which would not be understood (interview # 801). This may be an example of the Western boss not being established as a member of the subordinate’s in-group.

Chinese reliance on trust in relationships more than on apparent certainty of transparent information appears to be consistent with Chinese attitudes to relationships and contracts with external parties. It will be remembered that mainland Chinese managers tended to place more reliance on relationships, including those involving *guan xi* or *ren qing*, than on contracts (7.2 Chinese views). As a further example, it was explained how Chinese purchasers prefer complex arrangements with multiple importers, rather than transparent arrangements, in part to confuse Chinese Customs authorities (interview # 684). Therefore, it seem to be

clear within the data of this study, that Chinese managers tend to look for relationships on which to build control assurance rather more than for transparent information.

#### 10.7.2 Czech attitudes

It will be remembered that Czech managers tended to place greater reliance on contracts than on relations with external parties, to assume self interest in these relations and to place low trust people outside their organisation (7.3 *Czech views*; 7.4.1 *Trust and relationships*). While Czech people were compared to British people as generally trusting nobody (*interview # 1019*), there may be more trust within Czech organisations than in the market place (*interview # 561*). Czech trust within organisations was linked to status of seniority within the organisational hierarchy, that is a more senior manager was deemed more trustworthy (*interview # 1089*).

#### 10.7.3 British attitudes

The British views, described so far in this chapter, are illustrated in Figure 10.1 by the box labelled 'Transparency'. These views include the importance of being open with information (*documents # 48, 57, 229, 230*; *WWW # 28*; *interviews # 69, 108, 147, 1134, 1158*) and being open to scrutiny (*interview # 1149*) by all even where this may cause embarrassment (*interview # 1297.3*). As explained above (9.3.1 *British views and empowerment*), British views on empowering subordinates appear to be based upon some degree of reciprocal trust. In some cases this trust may be backed up by monitoring and independent verification (*interviews # 879, 1125*). Openness and transparency is also implicit in providing explanation or information on how responsibilities have been fulfilled, which was included in more than half by weight of opinion of British interviewees' understanding of accountability (8.3.1 *British views*).

The British views on the importance of transparency and widely held information may now be used to develop further the findings on information and relationships inherent in roles. Views on transparency indicate a British tendency to see openness with information as enhancing its value. Firstly, transparency may increase the opportunities for recipients to challenge the accuracy or relevance of information, thus enhancing its value as a reliable addition to knowledge. Secondly, wide access

to a piece of information may increase opportunities for the information to be used as part of valuable knowledge. This contrasts with what may be a Chinese tendency to see the value of information enhanced by the narrowness with which it is held.

It is submitted here that most British people would put greater priority to truth and transparency than to trust in relationships with other people. This neither belittles the reverse order of values, nor imply that British people are more naive than say Czechs or Chinese to assume that information communicated transparently is accurate.

Just as it has been suggested above that transparency of information may be necessary for roles to contribute towards control assurance, so also roles may be necessary for transparent information to contribute to control assurance. In this, trust may play a part. On the assumption that transparent information is of limited value to British managers unless they can place some trust in its accuracy, the role of the information provider takes on importance. This role identifies the levels of integrity (*interviews # 549, 1128*) and timeliness that information providers are expected to achieve. In many cases, recipients recognise that the role of the information provider affects interests in providing the information and influences their own interpretive perspective (*interview # 114*).

## **10.8 Cultural and other contextual factors**

This section summarises and discusses cultural and other contextual factors, in order to outline the context for these views on the importance of information for control assurance.

### **10.8.1 Chinese context**

Very low availability of information was seen in mainland China. It was seen that this restricted the extent that external information could be relied upon for management control systems.

Reluctance to provide information was related to Chinese fear of losing face and to traditional Chinese modesty. Low public availability of information and disclosure of information between organisations was also related to regulation, to government agencies for publication of ownership and of court cases and to markets. These factors are illustrated in Figure 10.1.

Restricting availability of information only to in-groups appears to be related to Group Orientation (*5.1 Mainland Chinese culture – 2. Group orientation*) and hence to Collectivism. Cragin found Collectivism to be much greater in mainland China than Hofstede found for the UK (Table 5.2). Trompenaars found it to be much greater for mainland China than the UK or the Czech Republic (Table 5.3).

Seeing truth in relative terms may be a feature of Particularism, which was found in the cultural survey to be significantly greater for mainland Chinese culture than Czech culture (Table 6.1). Collectivism and Particularism, with also their counterparts of Individualism and Universalism, are therefore included in Figure 10.1.

#### 10.8.2 Czech context

Czech Regulation, government agencies and markets have been identified as factors in the lower availability of information in the Czech Republic than in the UK. These factors are illustrated in Figure 10.1. Where information is not generally available outside an organisation, expectations are restricted in terms of what external information can be relied on for operation of management control systems (*interview # 291*). This was seen in the smaller extent that the credit reference agency reports were used in the Czech Republic (*manual # 309; interview # 339*) than in the UK (*manual # 48*). It also affects the willingness of people to disclose information (*interview # 264*). Also interviewees identified attitudes, remaining from the previous Czech Communist regime, that did not encourage publication of information. No doubt these factors are themselves both partly the result of cultural factors, and in turn intervene in the influence of culture on perceptions of management control.

For example, Czech cultural values of Individualism (Table 5.3) and Universalism<sup>72</sup> (Table 6.1) may have combined with historically embedded philosophies, such as of Hus, Masaryk and Havel, to work as factors towards a moral concern for truth. The Czech views of truth to oneself, and for some people truth to their God, are also

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<sup>72</sup> Universalism is the view that what is right is not dependent on particular situations (Appendix A). Czech concern for absolute truth can be seen as an example of a Universal moral code.

consistent with Individualism. These cultural dimensions are included as contextual factors in Figure 10.1

Therefore, using the analysis of change adopted by Seal et al. (1995), interpretive schemes of these Czech managers working for Western MNCs include beliefs shaped by historical events, embedded Czech thinking and Czech cultural values. Czech managers have faced immense change starting with the Velvet Revolution of 1989, which allowed a return to interpretive schemes from before 1938 and foreign domination. They faced further change when starting to work for foreign MNCs, which brought new design archetypes of Western management and management control systems. These changes were manifest in tangible elements, such as Western style budgets and collection of trade credit (*interviews # 312, 354*). Second order change has been introduced by these two environmental jolts, leading to change of interpretive schemes as well as of design archetypes and tangible subsystems. This analysis shows how these changes in economic, market and organisational environment may have affected deep seated beliefs and values. However, traditional Czech values of universal truth were still found in the managers' interpretive schemes.

It therefore appears that there has been a complex interplay of cultural values, philosophies of truth, and social and market changes, in the context for the Czech views found here on the importance of truth to control assurance. It is not hard to imagine attitudes of Czech managers working for foreign MNCs, such as found here, having some impact on Czech markets, on cultural values of Czech people in general, and on Czech society. Indeed Vlášil (1996) identifies such influences on Czech industrial relations, while Firth (1996) found influence of foreign owned joint ventures in mainland China on management accounting in Chinese state owned enterprises. This would complete a cycle of interaction between cultural and other social factors on attitudes to management control, and of management control on cultural and social factors (Bhimani, 1999). It would challenge assumptions of uni-directional views of deterministic causation typical of realist ontology for research into cross-national management control (see 2.5.3 *Determinism*).

## 10.9 Relating findings on information to the literature

The findings here on attitudes to information are compared to literature on differences between national cultures and countries in attitudes to information. This point therefore marks a break in avoiding reference to existing theory, apart from references to theory for explaining the context of the findings. The purpose from here in this chapter is to corroborate the findings and to relate them to existing knowledge.

However, before comparing specific findings to existing literature, it is interesting to compare the *scope* of findings to literature. It was noted above that findings for this key category of information have emerged concerning informal communication, not formal information systems. This was because the grounded theory research approach was sensitive to what managers considered to be important to providing control assurance. It appears that they were more concerned with informal than formal control methods. This appears to be consistent with the views of Jones and Dugdale (1995, page 321) that:

*“Although traditional formal controls may remain in place they are seen as less relevant to current needs”.*

### 10.9.1 Codification of information and High or Low Context Communication

Boisot and Child (1988 and 1996) found lack of codification of information in mainland Chinese prices, markets and administrative regulations. They attribute this at least partly to High Context Communication. Accordingly, transactions tend to be conducted on a personal ad hoc basis rather than standardised and in large numbers through impersonal markets.

Hall (1977) contrasts High Context Communication culture, typical of oriental cultures and exemplified by Chinese culture, to Low Context Communication that is typical of Western cultures. In High Context Communication, much of the message is understood from the context or from how the message is communicated. Whereas Low Context Communication requires the message to contain a greater volume of relatively context independent information. Low context communication reduces to codes a greater extent of meaning, which High Context Communication leaves to be understood by implication. Chinese languages are particularly high context. In contrast to using an alphabet of 26 letters in the English language, or 31 in the Czech

language (Poldauf, 1986), Chinese written language uses many thousand ideographs or characters, each of which indicate a meaning. Chinese is also extremely rich in homophones; these are words with different meanings but identical pronunciation, such as 'beach' and 'beech' in English. In Mandarin Chinese or Putonghua, the official language in mainland China and which is indigenous to Beijing, virtually every spoken word represents several written characters, each with a different meaning. For example, *xi* with the first tone is the spoken word for 48 written characters, including 西 meaning West, 吸 meaning to inhale, 悉 meaning all or entirely, 犀 meaning rhinoceros, and 锡 meaning tin (Wu, 1985). Therefore, as with all homophones, the meaning when heard has to be inferred from the context.

The implications, as Hall (1977) explains, extend far beyond the spoken language: it affects communication and behaviour. Boisot and Child (1996) refer to lack of codification of information in mainland China as explanation for slow progress towards western style markets that require high codification of information; instead transactions and markets are mediated through personal relationships rather than codified information supported by legally sanctioned rights. High Context Communication, such as in Chinese cultures, suggests that management control in these societies may be less likely to use market control mechanisms (Ouchi, 1979), which rely on high volumes of codified information. Redding and Martyn-Johns (1979) claim that Chinese businesses in South East Asia operate with very little formalised information.

Examples referred to in this study of relatively codified information included audited company accounts, standardised bank references, credit reference agency reports, and ownership of land and of mortgages recorded in public registers. The research in this study provides some empirical evidence of high availability of such codified information in the UK, rather less availability in the Czech Republic, and least in mainland China.

Emmanuel et al. (forthcoming) provide more up to date information, than that collected in this field work, on availability of published trade credit control information about companies in mainland China. This is reproduced in Table 10.2.

	in the UK	in mainland China
Published accounts	Audited accounts published and available from a public registrar	Accounts published only for listed companies. Accounts of other enterprises prepared primarily for tax purposes
Information from customers	Sometimes willing to provide management information.	Normally secretive
Bank references given to suppliers	Widely used	Banks only state the balance on an account, not give a reference on credit worthiness
Credit rating services	Well established	Agencies are appearing; many have relatively limited sources of information, understanding the local situation is critical.

**Table 10.2: Availability of information for trade credit control**

(Emmanuel, et al., forthcoming)

The British concern for transparency, in order to provide control assurance, requires a relatively higher communication of information than the Czech concern for truth. Chinese concern for relationships appears to imply context rich information that is relatively difficult to codify. Therefore findings here of a pattern from British openness with information, through less concern for openness by Czech managers, to Chinese relative secrecy outside relationships, is consistent with literature on High or Low Context Communication and on codification of information.

### 10.9.2 Transparency or secrecy

Chow et al. (1995; also Roberts et al., 1998) use the cultural model of Gray (1988) to explain relative secrecy and limited disclosure in Chinese financial accounting. For example, there is no requirement to disclose either market value of investments or liabilities secured on a company's assets, and obtaining information on the state-owned sector has been almost out of the question. The tendency of the Chinese government towards secrecy is noted by Child and Lu (1996), while Carver (1996) compares secrecy of Chinese *neibu* regulations to transparency expected in the West. Clarke (1996) reports that mainland Chinese courts and police appear to face extraordinary difficulties in getting access to records of bank accounts. Within predominantly mainland Chinese owned business enterprises, Emmanuel et al. (forthcoming) found that a preference that information be narrowly held, which is

only partially explained by size of company, whereas British managers prefer that information be published.

Child and Lu (1996) show that information flows for mainland Chinese management are mainly vertical with little horizontal flow, compared to multi-directional flows for Western management. Harrison and McKinnon (1999) explain that Chinese hierarchy blocks free flow of information within organisations: subordinates are less likely to volunteer opinions as they will face the full wrath of their boss if wrong. Beamer (1998) reports how Chinese staff may be reluctant to inform their boss of problems, because the messenger tends to be associated with the problem, while the boss alone is credited for the solution. Schein (1993) points out that concern for face can lead to withholding any information that could disturb the social order. Chow et al. (1999a) show that concerns for face, for the influence of their bosses, and for interpersonal relationships, discouraged Taiwanese managers from open exchange of negative information. However their study also showed an extensive view among these Taiwanese managers that open sharing of information between colleagues is good for the company.

Emmanuel et al. (forthcoming) also found that British managers more than Chinese managers tend to rely on independence of source for information reliability, and to attach greater importance to transparency for information usefulness.

Therefore this literature is consistent with the findings here of British managers tending to view transparency as important, in contrast to Chinese managers tending to be less open with information outside relationships.

### 10.9.3 Czech attitudes to truth

Findings here of Czech concern for truth in information used for management control, are consistent with a deep vein of literature on general Czech concern for truth, which was discussed in 5.2.3 *Truth*. In addition Sucher et al. (1998, pages 4 to 5) report on “closed dealings and lack of transparency” in the Czech economy, which is consistent with what was found in this study. They explain how the regulatory requirements for publication of audited accounts by Czech companies was developing through 1996, and that all but registered investors in publicly quoted companies found it difficult to obtain audited accounts of companies, and even in these cases information was usually incomplete. They attribute this situation to “a

residue of the traditional enterprise attitude to secrecy from before the Velvet Revolution of 1989” (ibid. page 18), to lack of penalties for non-filing of annual reports, and to confusion arising from rapid legislation since 1989.

### ***10.10 Relating findings on information to cultural theory***

Whereas the previous section related findings to literature on attitudes to information, this next section relates findings to cultural theory, in particular to Hofstede’s (1991) and Trompenaars (1993) cultural dimensions and to implications claimed by theorists for these dimensions. These subjects have been separated both because of the extent of prior literature and theory, but also because the sections have slightly different objectives. That for the previous section was to corroborate findings on information, and to relate these to existing knowledge. This section aims firstly to corroborate the cultural dimensions identified as part of the context described for these attitudes and perceptions, and secondly to see how far existing cultural theory is supported by findings in this study.

#### ***10.10.1 High – Low Context Communication – need to communicate***

High Context Communication has been linked by Hofstede (1991) to Collectivist cultures and Low Context Communication to Individualist cultures. Trompenaars and Hampden-Turner (1997) link High Context Communication to Diffuse culture and Low Context Communication to Specific culture. These theoretical positions are consistent with the findings here of greater British than Chinese concern for transparency and high availability of codified information. This is because British culture was found to be more Specific than Chinese culture (Table 6.2), and Trompenaars found it to be more Individualistic (Table 5.3). However, the pattern found here for Czech transparency and availability of information falling between that of British and Chinese cultures appears not to support links with these cultural dimensions so clearly. Although the cultural survey (Table 6.1) found Czech culture to be less Specific than British culture, the difference was not significant, while in Trompenaars’ findings (Table 5.3) the difference was negligible. Furthermore, he found Czech culture to be considerably more Individualistic than British culture. An association between transparency and Specific culture is supported by the corroborative statistical tests, which will be described in Chapter 13. These found a

correlation, although not significant, between Specific – Diffuse and transparency (Table 13.7)

Boisot and Child (1988 and 1996) attribute lack of Chinese codification of information to Particularism, and to propensity for both hierarchies of personal authority and networks of personal relationships, as well as to High Context Communication. They may therefore add the cultural dimension of Universalism - Particularism to the explanations for openness and transparency. While being supported by the measurement here and by Trompenaars for British and Chinese culture, it does little to explain the Czech pattern, because Czech Universalism was found here to be greater than British (Table 6.2) and found by Trompenaars to be similar to Chinese Particularism (Table 5.3).

#### 10.10.2 Willingness to communicate information

Several theorists (Trompenaars 1993; Trompenaars and Hampden-Turner, 1997; Chow et al. 1999a) maintain that Collectivism may be associated with general sharing of information. However, the findings here suggest that this may tend to apply for mainland Chinese managers only if the sharing is within established relationships.

Hofstede (1991) links Collectivism with greater sensitivity to the giving of bad news. This is supported by qualitative findings here and by Trompenaars' measurement of Chinese Collectivism (Table 5.3). This sensitivity appears to be part of concern for saving face, the literature on which has been discussed above (8.5.1 Responsibility). It was shown that association between concern for face and Collective, Ascribed and Diffuse culture are consistent with measures of Chinese culture. This association of both Ascribed – Achieved and Diffuse – Specific cultural dimension with secrecy rather than transparency are supported by correlations found in the corroborative statistical tests (Table 13.7). Although that with Diffuse – Specific was not quite significant, that with Ascribed – Achieved was very significant ( $p = 0.002$ ).

It seems logical that concern for secrecy and avoidance of attention would be higher in high Uncertainty Avoidance cultures. Gray (1988) postulates that high secrecy in financial accounting systems is more likely to occur in cultures of higher Uncertainty Avoidance and Power Distance and of lower Individualism and Masculinity. This is supported by Cragin's (1986) finding of very high mainland Chinese Uncertainty

Avoidance. Gray's addition of Power Distance to the factors, and the findings here for high mainland Chinese Hierarchy (Table 6.2), help explain Czech availability of information and preference for transparency falling between that of British and Chinese society.

#### 10.10.3 Value of and use for information

Trompenaars and Hampden-Turner (1997) suggest that the value and use to which information on industries is put may vary between Achieved and Ascribed status cultures. In the former, information on achievements, such as past performance of industries, shows where there is success and is valuable to guide reaction. In the latter, information on industrial capabilities is valued because it may be useful for proactive action. This comparison is one between deviation reducing use of feedback information, and deviation enhancing use of feed forward information (Hampden-Turner and Trompenaars, 1993 and 1997). It may also give further insight to Chinese preference for secrecy compared to European preference for openness and British concern for transparency. Within an Achieved culture, information, like people, may gain status from standing up to wide scrutiny and challenge. It may gain in status from remaining as an accurate record of facts in the face of comparison to other information sources, and from surviving those who seek to falsify it. It gains status with publication. In contrast, in an Ascribed status culture, information may gain status for the potential value it offers to the holder; this value may be dissipated if the information is spread widely. This conjecture is consistent with the findings of the cultural survey (Table 6.1) and with Trompenaars' findings (Table 5.3) of status in British culture being relative Achieved, in Chinese culture being relatively Ascribed, and falling between these in Czech culture. It is also consistent with the significant correlation found in the corroborative statistical tests (Table 13.7) between absolute truth and the Achieved – Ascribed cultural dimension.

#### 10.10.4 Truth

Smith and Berg (1997) point out that concern for saving face may be an opposing cultural attribute to concern for honesty. In which case, concern for absolute truth may be associated with the opposite poles of cultural dimensions from those associated with face. This is consistent with the findings here of Czech compared to

Chinese culture being significantly more Specific (Table 6.1), and with Trompenaars' finding of it being more Individualist, Achieved and Specific (Table 5.3). This is supported by the correlation found, although not significant, between Specific culture and absolute truth, and by the significant correlation found between Achieved status and absolute truth, in the corroborative statistical tests (Table 13.7).

Concern for truth, which was found here to be a distinguishing characteristic of Czech managers' perception of control assurance, has been linked by Hofstede (1991) to low Power Distance, Individualism, high Uncertainty Avoidance, Christianity particularly Catholicism, Western logic and short term orientation for Confucian Dynamism. Trompenaars and Hampden-Turner (1997) link concern for truth to Universalism and Protestant Christianity. The Czech concern for truth, found here and strongly supported in literature, is consistent with Hofstede's postulated link between truth and Individualism and with Trompenaars' measure of Czech Individualism (Table 5.3). It is also consistent with Trompenaars' postulated link between truth and Universalism and findings here of high Czech Universalism (Table 6.1), although not so consistent with Trompenaars' measure of Czech Universalism (Table 5.3). While Czech lands were officially and predominantly Catholic under the Hapsburgs, the views of Jan Hus (13469 – 1415) have had a lasting influence on Czech thinking and identity (Krejčí, 1990; Pynsent, 1994). Besides being an exponent of truth, Hus inspired and showed the way for Luther and Protestantism (Masaryk, 1978a and 1978b). Czech adherence to Catholicism fell with the Austro-Hungarian Empire, when 20% of the Czech population left the Catholic Church in the early 1920s, although many returned with popular reaction against repression following the Prague Spring of 1968 (Krejčí, 1990). Today most of the population is not religious, with nominally fewer Catholics at 39% than the 48% nominal Anglicans and other Protestants in the UK (CIA, 1999; PricewaterhouseCoopers, 1999). It would therefore probably be misleading to look to religion to explain Czech concern with truth today. Instead the thinking and philosophies of Hus, Masaryk and Havel may be better indicators, as well as cultural dimensions of Individualism as measured by Trompenaars (Table 5.3) and Universalism as measured here (Table 6.1).

This comparison of findings to cultural theory therefore gives some mixed support for cultural dimensions postulated by theorists as explanations for the attitudes and perceptions represented by these findings.

### ***10.11 Relating findings on information to empirical research***

Horovitz (1980) compared the sort of information and use of information in West German, French and British companies. Ahrens (1996) describes some differences between German and British brewers in the use of information in accountability. This study explores new ground in extending comparison to countries where availability of information and concepts of accountability are less widespread.

Birnberg and Snodgrass (1988) found that homogeneity of Japanese compared to US culture leads to greater emphasis and resources spent on implicit communication. They conclude that perhaps Japanese companies need information to aid decision making throughout the organisation, whereas US companies need information for controlling behavioural congruence. This is because there is wider acceptance of corporate goals and greater propensity for co-operation than in US companies. Findings here, although put in terms of secrecy and transparency, and discussed in terms of High and Low Context Communication, add weight to cultural comparisons of explicit or implicit information.

Chow et al. (1999a) found Taiwanese Chinese managers to be less open and sharing of information in face to face meetings than were Australian managers. They attribute this to differences in corporate cultures, and to national cultural attributes of face, Individualism, and Power Distance. Their finding has a parallel here in reluctance of mainland Chinese, compared to British and Czech, managers and staff to offer information, at least where that is not within an in-group, although it is less clear that Individualism is implicated.

Further support is provided by Morris et al. (1998), who found that MBA students in mainland China were more likely to adopt an avoiding conflict style in conflict management, than were US, Philippine or Indian MBA students. This is consistent with Chinese staff and managers being reluctant to challenge or put forward conflicting information. These researchers attribute their finding to traditional Confucian values.

Horovitz (1980) and Ahrens (1996) identify use of different sorts of information for management control by German and British managers, in terms of whether it is quantitative or qualitative, financial or operational, and whether it refers to past events or future projections. The findings here extend these differences to whether information is valued for being transparent or merely accurate, or whether it might be used to maintain a relationship. This study also extends empirical research on the types of information used for management control to outside Western Europe.

Therefore, while the narrow range of existing research limits the comparisons that can be made with this study, some consistency can be seen, and this study extends the findings of prior research. However, an explanation in terms of the cultural dimension of Individualism (Chow et al. 1999) could not be supported by the present study.

### **10.12 Conclusions on information**

Wide recognition was found of the importance of information to management control. Yet distinct patterns emerged between managers from different countries in perceptions of what sort of information provides control assurance.

There was a pattern of British managers preferring and expecting wide availability of information. In some cases this was beyond what was needed for monitoring; transparency was itself seen to be important in providing control assurance. In contrast Chinese managers tended to prefer information to be narrowly held. Chinese examples of rapid voluntary communication tended to be within established relationships. Czech managers' attitudes to availability of information generally fell between the British and Chinese preferences, as illustrated in Figure 10.1.

However, truth in information and communication generally seemed more important than transparency to Czech managers' control assurance. In contrast to Czech expectation of absolute truth, mainland Chinese managers tended to expect relative truth. A pattern was therefore seen of British managers tending to look more to transparency for control assurance, where Chinese managers would tend to look more to relationships, and Czech managers would tend to look for absolute truth.

Comparison of findings to existing literature showed considerable consistency. Discussion of the context for these findings showed complex interaction between

cultural, historical, social and market factors. However, explanations in terms of cultural dimensions, whether by cultural theorists or in prior empirical research, were not always supported by the findings of this study.

## CHAPTER 11. LAW, RULES AND PROCEDURES

### ***11.1 Introduction***

The structure of this chapter is similar to previous chapters on key categories. After this introductory section, findings are explained in 3 sections. Contextual factors are then summarised, before findings are compared to literature, to cultural theory, and to empirical research. The chapter closes with a summary of conclusions.

#### ***11.1.1 The key category of law, rules and procedures***

This key category is concerned with differences, between managers of the 3 national cultures, in attitudes to matters ranging from the rule of law to internal procedures, and how these differences affect their control assurance.

Among the 30 axial respondents, preferences for procedures as a control element show a significant difference between national cultures (Table 6.2). Procedures were included in the diagrams of perceptions of credit control for 10 out of 11 British and by 7 out of 10 Czech axial respondents, but by only 3 out of 9 Chinese axial respondents. Furthermore, in the course of the field work, it appeared that Chinese attitudes to the rule of law, legal process and regulation tended to be rather different from British and Czech attitudes, and that these had a key bearing on perceptions of what provides control assurance. Attitudes to the law, and to external and internal rules including procedures were therefore chosen as a key category for inquiry and selective coding.

#### ***11.1.2 Interviewees***

Selective coding for this key category drew on the views expressed by all 30 of the axial respondents and by a further 43 other interviewees. These are analysed in Table 11.1.

Location Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
					Male	Female	
UK: CoX CoY Other	12				10	2	23
	6		2	1	7	2	
		1	1		1	1	
Prague: CoX CoY Other	1	8			7	2	28
	3	6		3	10	2	
	2	5			6	1	
Beijing: CoX CoY Other	2		7	6	9	6	21
	0		4	1	2	3	
			1		1		
Elsewhere Other			1		1		1
TOTAL	26 =====	20 =====	16 =====	11 =====	54 =====	19 =====	73 =====

Table 11.1: Interviewees for selective coding on law, rules and procedures

*11.1.3 Overview diagram*

An overview of the key category of law, rules and procedures is given in Figure 11.1. As with the overview diagrams for other key categories, this illustrates only differences in perception between managers from mainland China, the Czech Republic and the UK.

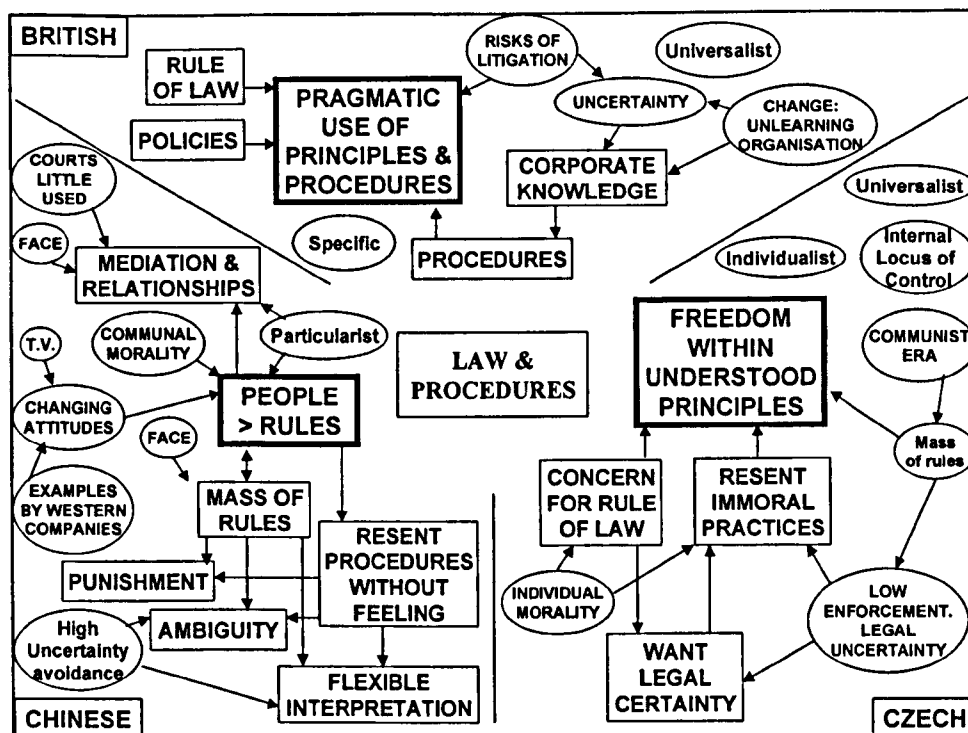


Figure 11.1: Differences in perceptions of law, rules and procedures<sup>73</sup>

## 11.2 Chinese attitudes

### 11.2.1 Low respect for law

Interviewees commented on the relatively low regard by Chinese people, compared to Westerners, for the rule of law (interview # 801). One interviewee said that in China it is people who rule, *ren zhi* 人治, not the law, *fa zhi* 法治 (interview # 1119). This is used as a label for the box 'People more than rules' in Figure 11.1. Consequently personal vengeance is more prominent than in most Western countries (interview # 930), and as an interviewee commented (interview # 855):

*"the legal system is not established so (Chinese people) use common sense".*

Greater Chinese regard for people than for the rule is reflected in the tendency to rely on personal relationships more than on contracts (6.2.1 *Trust, relationships and*

<sup>73</sup> The use of boxes, ovals and arrows in this diagram follows the convention used and explained for Figure 7.1.

*contracts*). Reliance on relationships is an example of how mainland Chinese managers gain control assurance without placing great reliance on laws, regulations and rules.

Interviewees attributed these attitudes to the different historical development of China compared to Western Europe and USA, where legal systems have developed over centuries. An interviewee expected development of legal institutions and cultural attitudes in China will take many years, perhaps even a century (*interview # 1116*). On the other hand, changing attitudes, under the influence of television soap operas such as *LA Law*, were associated with increasing litigiousness as evidenced by rising divorce rates in mainland China (*interview # 993*). There is also increasing familiarity of mainland Chinese business people, discussed above, for contracts following examples set by Western companies (*interviews # 981, 885, 987*).

In contrast to Chinese attitudes, foreign joint ventures fear they are more liable to be made examples if they transgress, so they have a much stronger feeling that they must abide by the letter of the Chinese law (*Economist # 1006*).

### 11.2.2 Problems with courts

Besides greater regard for people than for the rule of law within mainland Chinese society, there was evidence of problems with using its legal system.

Some interviewees thought that Chinese courts could be biased against foreigners, show favouritism to local interests, be short of judicial experience in commercial matters, be reluctant to hand down judgements preferring instead the parties to reach agreement through mediation, and be reluctant to enforce judgements. Two of them referred to and supported the arguments of Clarke (1996) on the difficulties of enforcing Chinese court judgements (*interview # 684*), which were reflected in comments on the difficulty of collecting debts through the courts (*interviews # 777, 702*). The story was recounted of a Belgian who won an action for return of the purchase price for property near Beijing that he had ostensibly been sold for US \$400,000. One year later he had received only 15% of his award, while the defendant had transferred money into a new company in order to escape the court order. The court then suggested that he might accept lower damages (*interview # 684; China Business Summary # 687*). Both CoX and CoY very seldom, if ever, seek redress through the courts or arbitration in China (*interviews # 645, 684*).

However, in addition to these limitations of the Chinese courts, a Chinese dislike of public dispute appeared to reduce Chinese reliance on legal remedies for management control, which is explained next.

### 11.2.3 Using relationships and mediation rather than public dispute

Chinese dislike of resolving disputes through the courts was discussed above in connection with regulating business relations with external parties (7.2.1 *Relationships and contracts*). Reasons included the importance to mainland Chinese managers of *guan xi* and *ren qing* relationships, and the likelihood that taking people to court would destroy relationships (*interviews # 756, 771, 777, 804, 1155*).

Further reasons emerged indicating fundamental distaste for confrontational dispute processes that underlie Western ideas of legal process. Firstly, there was the feeling that to admit in public to a dispute results in loss of face.

*“It is very shameful for both parties if they have to go to arbitration, making it very difficult for them to co-operate in future. The court is even more serious ...it’s shame. ... They don’t like to expose the problem to the public” (interview # 771).*

Secondly there was the feeling that mediated solutions are preferable to imposed solutions. Mediation is deep seated within the mainland judicial system (*interview # 684*). Both of these reasons are consistent with relationships between people being of greater importance to mainland Chinese people than the rule of law.

This preference for using relationships and mediation is illustrated by the box ‘Mediation and relationships’ in Figure 11.1. It represents an alternative to confrontational legal processes as a way of gaining control assurance when disputes threaten achievement of objectives for the organisation.

### 11.2.4 Plethora of regulations

There appears to be a paradox however between these preferences for using relationships and private negotiation and, on the other hand, a Chinese propensity to issue large volumes of regulations (*interviews # 786, 879*). This is illustrated by the box ‘Masses of rules’ in Figure 11.1. An interviewee commented that the road safety rule book is 5 inches thick (*interview # 930*). Regulations and procedures within organisations were described as tending towards ever more detail (*interview # 777*).

This paradox is deepened by Chinese managers tending to feel that procedures usually involve too many people, are seen as taking too long and as a waste of time (interview # 771). There is a Chinese tendency to dislike cold regulation within organisations, which is discussed next.

#### 11.2.5 Feeling and relationship more than internal rules and procedures

There was repeated mention that Chinese people follow, or prefer to follow, instructions where there is the warmth of a personal relationship, rather than following cold regulations (interview # 15, 1155,). This is illustrated by the box 'Resent procedures without feeling' in Figure 11.1. Examples included the following:

*"Managers have to rule from the heart; its meaningless to just tell them. More important who gives the policy than whether the rule is good. Chinese respect the person, Westerners respect the law." (interview # 801)*

*"Chinese staff want to help their manager, understanding is more important than rules." (interview # 1320)*

*"Employees have their own thoughts, feelings and way of life. To ignore this, that is making a system inhumane, is terrible." (interview # 777)*

*"It is more important who sets the procedures, than what the procedures are." (interview # 1119).*

The verb 'to lead' *Ling Dao* 领导, is preferred by Chinese people to 'to control' *Kong Zhi* 控制, as the latter implies controlling the person (interview # 876), and nobody likes being just told what to do (interviews # 1155, 855). These views on preferring directions from a person, given with feeling, and dislike of anonymous rules are examples of the Chinese preference for rule by people not laws.

However, this dislike of anonymous rules may be unexpressed. It was remarked that Chinese people are taught to do obey a person in authority, and not to express their own opinions or object (interview # 876).

*"In China people will implement a system that they do not like, but resent it without speaking out" (interview # 777).*

Dislike of procedures is reflected by the infrequent mention of procedures by the 9 Chinese axial respondents in axial coding, which was noted at the beginning of this

chapter. It also appeared in analysis of weights of opinion among 13 interviewees, which showed only a little more than one third of the view that Chinese managers see procedures and internal regulations as important to providing control assurance.

Several explanations appeared for a Chinese tendency to issue lots of procedures in the face of this cultural dislike for regulation. Firstly, it appeared that procedures were looked to where there was lack of leadership and relationships were not working (*interview # 717*). Secondly, a manager may tend to prefer the organisation to issue a procedure, if there is any risk that a personal approach, using his or her relationships with staff, may not work. This is therefore a tactic to reduce risk of losing face (*interview # 879*). This may also reflect the greater concern for people and relationships than for rules: whereas failure in the use of personal relationships would undermine a Chinese managers' influence for maintaining management control, regulations can be referred to when appropriate in order to bolster control by means of people and relationships. Therefore, managers or officials may feel they have to issue regulations in large number and great detail if they are insufficiently confident of the strength of their relationships for gaining control assurance. There is, thirdly, the ambiguous nature of much Chinese regulation together with human interpretation, which opens flexibility for how it is applied; this point is returned to below in section *11.2.7 Mitigating the impact of regulation and punishment*. It was explained that a natural consequence, of gaps appearing in regulations and procedures through their application, is for further regulations to be developed in ever increasing detail (*interviews # 639, 981*).

#### 11.2.6 Punishment to support rules or regulations

Probably connected to this low regard for bare rules, and possibly with both a plethora and dislike of rules, are the views about the importance of punishment (*interview # 930*) or of the material advantages of following rules. For example, an anecdote was told of an employee of a Western company in mainland China being fired for a misdemeanour; three Chinese employees wrote to the company's management protesting:

*"We are honest, we thought the company is honest too. Someone does something wrong but you do not punish him, you just let him go."*

When asked later what the company should have done, they replied

*“Anything, strung him up on a tree, but not let him go!” (interview # 786).*

They thought that dismissal was so lenient that it did not amount to punishment for the transgression. Again, an anecdote was told of how a Westerner in Beijing, who left a new purchase in a taxi, was most surprised to have it returned personally by the taxi driver. This was done because the Westerner complained to the taxi authorities that the driver had not used his meter and the driver, fearing to lose his taxi licence, wanted a letter from the passenger dropping the complaint (*interview # 786*). A comparison was made between taxi drivers in mainland China not wearing seat belts because the fine is low, to drivers in Singapore, where fines are high, who do obey the seat belt regulations (*interview # 933*). As a further example, iron regulations and harsher penalties were reported to be a key part of renovating management of a Chinese State owned bank (*China Daily # 1003*). These Chinese views are represented by the box labelled ‘Punishment’ in Figure 11.1.

#### 11.2.7 Mitigating the impact of regulation and punishment

Several patterns of Chinese action appeared, which could be seen as reactions to facing large volumes of regulations together with harsh penalties and disinclination to speak out against the regulations or those in authority. These were seen as reactions by junior staff, or by managers or officials who administered regulations, or even by those who set the regulation. In the latter cases, mitigating actions were means to enhance control assurance either for managers’ and officials’ personal goals or against unforeseen but undesirable consequences. They are described under the next two headings of *Flexible Interpretation* and *Ambiguity as escape routes*, and are illustrated in Figure 11.1.

##### *Flexible interpretation:*

Laws and regulations may be uncomfortable for Chinese people when they are set by those in high authority, out of reach from the influence and relationships of those affected. Impact of these regulation may be mitigated through interpretation by officials who administer it. Flexibility from interpretation in how regulations are applied can thus increase either with the geographic distance from where the regulations are set (*interview # 777*), or the distance that procedures are cascaded down the hierarchy of an organisation (*interview # 649*). In either case,

interpretation by people may divert the regulation from its purpose. Among examples given was horse racing in mainland China, where gambling is illegal. People at race courses queue to buy tickets for them to predict which horse will win. These are not gambling bets but predictions based on knowledge of the horse and conditions. This interpretation of the law defeats its purpose while satisfying a demand for gambling (*interview # 1221*).

As a variation on flexible interpretation, there were examples where the purpose of regulations was avoided while their details were complied with (*interview # 981*). Chinese lawyers apparently tend to follow legal procedures rather than the spirit of the law (*interview # 741*). In another example, Chinese staff took a pragmatic approach to procedures in a way that defeated the purpose for the procedures. They asked a British manager to counter sign a cheque for US\$ 30,000. He asked what the payment was for, but they refused to say, so he refused to sign. "But its very important" they pleaded. "What is it for?" he asked again; they replied "We cannot say, its secret, we are not supposed to be doing this" (*interview # 657*).

One interviewee appeared to give a counter example, when explaining that what matters in China is whether the spirit of regulation is followed. So long as the spirit is followed there can be some flexibility in how it is applied, such as through interpretation by those who administer it (*interviews # 639, 981*). However, this interviewee had particular experience in USA that may explain this exceptional attitude in mainland China.

#### *Ambiguity as escape routes:*

A Chinese tendency for ambiguity may be another reaction to regulation and punishment. Ambiguity may be used by both those who set regulation and those who administer it.

Chinese legislation appears to be prone to ambiguity, because of loopholes and use of terminology that is neither consistent nor defined (*interview # 741*). This seems to reflect an underlying Chinese assumption that it is dangerous to commit oneself to principle, which may later conflict with dictates of particular situations or relationships.

Others explained how authorities do not like to give oral, let alone written, clarification of regulations. They recounted how a Western Finance Director refused to authorise an investment in a Special Economic Zone (SEZ) until the tax authorities had confirmed the tax exempt status of the investment. The tax authorities would not do this, and the impasse continued until the project was cancelled. In the eyes of the Chinese narrators of this story, what was remarkable was the Westerner's expectation that Chinese authorities would commit themselves to applying what was required by law (*departmental lunch # 683*).

#### 11.2.8 Abuse and corruption

Chinese reliance on relationships above contract and low reliance on the rule of law, can be criticised by Westerners as examples of 'crony capitalism'. For example, a foreign partner in a joint venture complained that "vendors were ripping us off, the government was robbing us blind, key employees were on the take" (*Economist # 1266*).

As stated above, both CoX and CoY have strict business principles which make it clear that favouritism and corruption is unacceptable (*documents # 181, 1233*). Nevertheless, interviewees recognised the impact of corruption in other organisations. For example, a bank credit officer may be inclined to waive rules about recoverable collateral, when the borrower is a director or major shareholder of the bank (*interview # 777*). Again, there was the complaint that people who have good friends in the Police or courts may avoid punishment and are not afraid to break the law (*interview # 933*).

#### 11.2.9 Summary of Chinese attitudes to law, regulation and procedures

These examples given by interviewees of Chinese attitudes to laws and procedures may be summarised. Chinese people often have greater respect for people and personal relationships than they do for impersonal procedures or regulations and the rule of law. While the rule of law may be poorly supported by effective legal institutions, greater respect for people and relationships appears to be deeply rooted in cultural values; this links back to preference for relationships over contracts (7.2.1 *Relationships and contracts*). In the absence of personal feeling to support a requirement, legislators and regulators may perhaps issue requirements in extensive

detail. At the same time, regulations may be supported by expectations of punishment or inducements of material advantage.

Inquiry among 14 interviewees into why or when procedures might be acceptable to mainland Chinese staff showed more than a third of weight of opinion indicating feeling on the part of those who set or administer the procedures. This view appeared as distinctive Chinese opinion about procedures. More than a fifth of the weight of opinion indicated authority or sanction to support the procedures. Among the variety of other views, promotion of efficiency and seeing procedures as inherently acceptable each received nearly an eighth of the weight of opinion.

It appears that Chinese people, when subject to control by rules or procedures, find ways to mitigate regulatory intent and maintain their own agenda. This may be through flexible interpretation or by following the detail but ignoring the regulatory spirit. Finally, it appears that protection from the consequences of impersonal rules may also be sought by those who issue or administer rules. They may do this either by setting the requirements ambiguously, or by refusing to determine how they would be applied in the future.

In order to gain control assurance, mainland Chinese managers may tend to place considerable reliance on people and personal relationships. They may also issue a large number of detailed rules and procedures.

### **11.3 Czech attitudes**

#### **11.3.1 The law, public regulation and ethics**

Czech opinions on laws and regulations appear to have a few similarities to these examples of Chinese attitudes. It was noted that there still exists a mass of rules following the overthrow in 1989 of the Czech Communist regime (*interview # 387*), which was noted for vast numbers of petty regulation and procedures (*interview # 1053*). This is illustrated by the box labelled 'Mass of rules' in Figure 11.1. Prominently lit notices on the platforms of the Prague metro list 40 regulations covering carrying of livestock, bicycles and packages by number and size etc. (*observation # 1083*). A Czech interviewee commented that although the researcher was perhaps the only passenger who had read the notice, some passengers managed

to comply by contriving curious handbags for 'carrying' dogs as big as Alsations (*interview # 1092*).

Yet a Czech tendency appeared for high regard for legal rights. The latter was illustrated by an interviewee who parked his vehicle where it blocked the entrance to a neighbour's garage. His neighbour rang the doorbell and complained vociferously, insisting that he had a permit for his garage. The same interviewee found a polite notice on his vehicle when parked not very well outside his house in the UK; he had reason to believe that a neighbour had left the notice. It pointed out that the parked vehicle made it difficult for a gentleman to get his car out (*interview # 1089*). Whereas the Czech reaction had been forthright recourse to legal rights, the British diffident response was to question by implication whether the interviewee were a gentleman. A typical Chinese response might have been a referral to relationships, such as an accusation of selfishness and of not thinking of neighbours (*interview # 1218*).

Czech sources expressed frustration with lack of legal certainty (*WWW # 1099; interview # 291*), illustrated by the box 'Want legal certainty' in Figure 11.1. This arises from removal of administrative controls of the previous Communist regime (*interview # 1059*), lack of practical experience by legislators who had rapidly created much legislation since 1989 (*interviews # 1026, 1029*), inefficiency and backlog of cases in the commercial courts with queues of typically 2 year for a case to be heard (*interviews # 254, 312, 483, 519, 1029; Prague Post # 540, 582 and 585*), lack of experience by judges and lawyers (*interviews # 312, 519*), and uncertain functioning of legal organisations such as the land registry (*interviews # 282, 483*). Both interviewees and the press commented on the lack of enforcement of laws (*interviews # 1019, 372, 312, 1035; Fleet Sheet # 420*), and on nefarious practices by those who use whatever wide means they can get away with to gain advantage in the market economy (*interviews # 354, 1059, 1026, 567, 405, 1026, 312, 378; Prague Post # 585 and 591*). Examples of these nefarious practices included 'tunnelling' of investment funds or a taxi charging CzK 8,500 (US \$250) for a ride of less than 1 kilometre, and outright fraud and corruption (*interviews # 282, 561; Prague Post # 414, Fleet Sheet # 420, Financial Times # 1020; Central European Business Weekly # 1027*). These attitudes are illustrated by the box 'Resent immoral practices' in Figure 11.1.

Underlying both this resentment of unethical practices and frustration with lack of legal certainty, appeared to be a high regard for the rule of law, as indicated in Figure 11.1. In most of these cases of frustration, there was forthright disgust at the lack of ethical behaviour, justice and truth (*interview # 561; Central European Business Weekly # 1024*). These appear to be specific examples of the more general desire for the truth, which was discussed above (*10.6 Accuracy and truth - Czech attitudes*).

Infringement of laws appears to be not only Individualism taking advantage of modern market opportunities, but also force of habit from the pre-1989 communist era when:

*"If you were not stealing from the State, you are stealing from your family"*  
(*interviews # 387, 405, 279, 372, 1047*).

This example of a Czech amalgam of self interest with responsibility to oneself and individual based morality was taken a stage further against one's immediate family by a Czech interviewee. In answer to the dilemma, whether it is preferable to do what you think is right, but which everyone else thinks wrong, or to do what everyone else thinks is right but you think is wrong, the interviewee replied:

*"I would do what I think best in taking responsibility, even if I think that is irresponsible to my family, telling myself it is my freedom. .... I will do the thing properly"* (*interview # 1064*).

This individual based morality is also reflected in the Czech concerns for absolute truth and for truth to oneself, which compared to Chinese concern for relative truth dependant upon particular relationships with people (*10.6 Accuracy and truth*). Individual based morality is indicated in Figure 11.1. It was also illustrated in the comment that:

*"Czechs are very law abiding, but a law they don't like they will break it"*  
(*interview # 255*).

It is therefore interesting to compare these concepts of individual and communal morality. Among 13 interviewees the predominant view was that Czech people tend to see morality and truth in individual terms. In contrast, 12 interviewees unanimously indicated concern for communal morality among mainland Chinese people.

Despite the legal uncertainty in both mainland China and the Czech Republic, this Czech pattern of attitudes contrasts strongly with Chinese attitudes. Weight of opinion among 17 interviewees overwhelmingly indicated Czech concern for the rule of law. In contrast, the predominant opinion among 8 interviewees indicated that mainland Chinese managers do not rely on respect for the rule of law. This is supported by a similar pattern concerning legal process or use of mediation and relationships for resolving disputes. The unanimous view among 12 interviewees was that Czech people expect legal processes to be used, whereas the predominant view among 5 interviewees was that mainland Chinese people expect mediation and relationships to be used.

Czechs generally appeared to feel a moral obligation to respect the law and to do what is right (*interview # 1278*), while many outside CoX and CoY selfishly pursue individual benefit, either within or outside the law, resulting in disgust by their compatriots. The Chinese pattern, as described above, is of respect for personal relationships more than for law. It appears that whereas Chinese people generally aspire to communal morality within their in-group, Czechs generally aspire to individual morality.

### 11.3.2 Internal procedures

Czech attitudes to internal procedures seemed to be somewhat different from their attitude to the law and public regulation. It was apparently a common view that procedures should have been thrown out with the Communists in 1989 (*interview # 1053*).

Several interviewees expressed Czech frustration with procedures that had not been explained and justified (*interviews # 1053, 1064*), or said that the purpose for procedures must be understood before they will be complied with (*interview # 1039*). Similarly, no patience was expressed for a procedure drafted in a way that defeated its purpose (*interviews # 1026, 1035, 1039*). An interviewee described how a new control system would be resisted, argued against and even obstructed, until it was quite clear why it was needed, how it would work and that compliance was insisted on (*interview # 1056*). While there was preference for internal rules that are clear (*interview # 477*), this clarity may be symbolised by what is written rather than verbally agreed (*interview # 267*).

This appeared not to amount to a simple dismissal of procedures: 7 out of 10 Czech axial respondents included procedures in their perception of control (Table 6.2); weight of opinion among 17 interviewees was evenly balanced on whether Czech managers see procedures as contributing to control assurance. However for at least 2 axial respondents manuals were for creating awareness and understanding by staff of control, rather than for dictating how things should be done. Besides reports of some Czech managers having no concern at all for procedures (*interview # 405*), there were also stories of Czech managers outside CoX and CoY being happy to have volumes of procedures that no one paid any attention to (*interviews # 1095, 1089*). While there was some comment that Czech staff like to have procedures, this was also linked to the protection of being able to point to possessing a procedure while at the same time not putting it into practice (*interview # 1077*). There was also a comment that some staff in Czech companies follow procedures slavishly. The explanation was that in these organisations, which excluded CoX and CoY, staff may be held personally responsible for discrepancies in stock or cash balances (*interview # 405*). This reinforces the pattern of Czech staff tending to see responsibility in terms of a personal duty, both as an explanatory contextual factor, and as a consequence of a cultural attitude of individual morality.

There was also reported a Czech dislike of being forced to do things, illustrated by negative reactions to a directive that staff should put on a cabaret show at a Christmas party (*interview # 567*). This contrasted with enthusiasm and commitment to a voluntary cabaret act, which involved much personal risk and embarrassment (*observation # 1097.3*). And there were reports of Czech preference for working without the constraints of procedures and controls (*interview # 1077*), in which situation managers would rely on staff knowing and following their responsibilities (*interview # 1026*). There was frustration at time consuming procedures (*interview # 1064*) or excessive administration (*interview # 1068*).

While the importance to Czech people was stressed of explanation why procedures should be followed (*interview # 1053*), understanding by those who set procedures appeared also to be important. This came out in a dislike of procedures being imposed from abroad by those who do not understand the local situation (*interview # 1047*).

Analysis of weights of opinion among 12 interviewees as to why or when procedures might be acceptable to Czech staff showed a little less than half indicated either understanding of why the procedures should be followed or understanding of the local situation by those who set the procedures. These views of understanding emerged as distinctive Czech patterns of opinion. A little more than a third gave promotion of efficiency. Promotion of efficiency as a reason for accepting procedures implied understanding by the people asked to follow the procedures that compliance would promote efficiency. The remaining fifth of the weight of opinion gave a variety of views, such as that procedures are accepted if supported by responsibility on the part of those who follow them, or by authority on the part of those who enforce them, or by the threat of sanction, or that procedures are inherently useful.

These Czech tendencies in attitudes to regulation and procedures appear to amount to a general desire for freedom of action (*interview # 1019*) within a regime that is accepted, understood, clear and impartial. It is illustrated in Figure 11.1 by the box labelled 'Freedom within understood principles'. This seems to make a contrast to the Chinese tendency of preference of freedom of action maintained through ambiguity and opacity.

It appears that, whereas many interviewees at CoX and CoY sites in Prague said that Czech people have a low opinion of procedures, it was also recognised that procedures play an important part in the control frameworks of CoY and CoX. Accordingly, it seemed that Czech staff working for these MNCs make the best use, that they can rationalise, of imposed control systems. Whereas 7 out of 10 Czech axial respondents in CoX and CoY included procedures in the view of management control, this was done by only 3 out of 9 Chinese axial respondents (Table 6.1). It may be that, while CoX and CoY have had some success in explaining and justifying procedures to their Czech staff, explanation carries less weight with Chinese staff, who instead look to relationships and feeling from the boss that asks them to comply. That is, whereas procedures may be justified within the logic of control assurance looked for by many Czech managers, procedures tend to fit less easily into Chinese frameworks of control assurance that rely more on personal relationships than impersonal rules.

## 11.4 British attitudes

### 11.4.1 The law

Fieldwork inquired less into British attitudes to the rule of law and ethics than into other matters. There were too few specific references to British attitudes to the rule of law for a weight of opinion to be calculated. However, 2 managers stressed the importance of ensuring that customers honour their contracts, both on the ethical ground that agreements should be honoured, and in order to send a clear message to the market that their company expects nothing less (*interviews # 159, 225*). Also, it will be remembered from the discussion of regulation of external business relations (7.4.2 *Contractual relations*) that British managers tended to rely on both contracts and relationships. Furthermore, many of them preferred to resolve disputes through negotiation, but were prepared to enforce their position by reference to contracts and, depending upon industry practice, use of the courts. Underlying these findings appears to be respect for the rule of law, which is illustrated by the box 'Rule of law' in Figure 11.1. This however was not as pronounced as the Czech concern that the rule of law should be respected, as illustrated both in the stronger Czech than British reliance on contracts above relationships and in the outspoken Czech concerns about the rule of law.

### 11.4.2 Internal procedures

As discussed, 10 out of 11 British managers, among the 30 axial respondents, included procedures in their perceptions of management control.

Among 14 British interviewees, the predominant weight of opinion was that procedures and similar internal regulations contribute to control assurance. This compares to 17 interviewees who were evenly divided on whether Czech managers see procedures as contributing to control assurance. The weight of opinion among 13 interviewees was nearly two thirds that Chinese managers tend to see procedures making no contribution to control assurance. This British attitude is illustrated by the box 'Procedures important' in Figure 11.1.

Inquiry into why or when procedures are acceptable to British staff showed half of the weight of opinion among 14 interviewees that procedures are liked and inherently acceptable. This was a distinctly British characteristic. An example was that the

presence of some procedures was seen as good for the certainty they give staff (*interview # 1197*, and see below *11.4.3 Corporate knowledge - the 'unlearning organisation'*). Procedures were also seen as enabling staff to do their jobs in face of uncertainty from frequent moves of staff between jobs (*interview # 1353*). Interviewees linked procedures to empowerment and to roles (*interviews # 1302, 1323, 1353*).

Statistical tests for alternative hypotheses, which will be discussed more fully in Chapter 13, identified a significant company effect on perceptions of the importance of procedures and internal regulations to control assurance. However, the pattern between interviewees from the 2 MNCs was not as significant as that between interviewees from different countries. This is illustrated in Table 11.2.

	Cultural groupings						
	National	MNCs	Locations	Sites	Functions	Seniority	Gender
44 interviewees in all employments	<b>0.000</b> ***	0.070 *	0.046	0.017 *	0.137	0.548	0.424
23 interviewees in CoX only	<b>0.005</b> **	<sup>74</sup>	0.025 *	0.025 *	0.535	0.381	0.463
19 interviewees in CoY only	<b>0.040</b> *	<sup>74</sup>	0.506	0.506	<sup>74</sup>	0.398	0.699
Statistical test	Kruskal-Wallis	Mann-Whitney	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Mann-Whitney

**Table 11.2: Significance of differences in patterns of importance of procedures and internal regulations<sup>75</sup>**

Although procedures and internal regulations were seen as important within both MNCs, greater attention appeared to be given to them in CoX. Rerunning the statistical tests within each MNC, in order to control for corporate effects, shows a

<sup>74</sup> Data fell into only 1 cultural group, e.g. all of these CoY managers were from the service function. A test for a significant difference by the cultural grouping was therefore meaningless.

<sup>75</sup> Numbers within this table represent the statistical probability that the opinions come from a single homogenous population, not from different cultural groups. The strongest pattern for each property is indicated by showing the probability in bold. Key: \* - significant at level of  $p < 0.1$ , \*\* - significant at level of  $p < 0.01$ , \*\*\* - \*\* - significant at level of  $p < 0.001$

significant difference in perceptions of the importance of procedures and internal regulations between interviewees from different countries. Within each MNC, British interviewees had the strongest tendency of seeing perceptions and internal regulations as being important to control assurance, followed by Czech interviewees, with Chinese interviewees having the lowest tendency of seeing them as important.

Where procedures were seen as important, British interviewees also recognised that exceptions should be allowed if justified to those in charge (*interview # 117, 147*). Some interviewees preferred general policies over more detailed procedures (*interview # 1173, 1179*).

While British staff might complain a little (*interview # 1089*) or at least politely about an unpopular procedures, they would comply if it has the support of senior management and everyone else is following it (*interview # 1152*). The typical reaction of a British person asked to follow a procedure was described as questioning it, if he or she thought it unnecessary, or to do something equivalent and better. In contrast, many Far Eastern people would follow the procedure without question. The typical British reaction, depending on the risks of the business area, may however be moving towards total compliance, even where thought unnecessary, in face of the increasing litigiousness of British society (*interview # 1221*).

The impression gained by the researcher from the totality of the study, of typical reactions to conflicts between procedures and personal agendas is as follows. In this situation a British employee of these MNCs would tend to follow the procedure, or at least feel guilty for not doing so, while at the same time challenging the logic and justification of the procedure. A Czech employee would tend to refuse to follow the procedure until it had been explained and justified. Whereas a Chinese employee would tend to follow the letter of the procedure, but perhaps in a way that achieves their own agenda and not necessarily achieves the purpose for the procedure.

A British manager pointed out that while procedures are important, their effectiveness is totally subject to the integrity of staff who use them. (*interview # 254*).

#### 11.4.3 Corporate knowledge - the 'unlearning organisation'

It has already been said that procedures were liked where there is uncertainty from frequent staff moves (*interview # 1353*). This is one among a set of examples of high regard for procedures by British managers who were concerned about loss of corporate knowledge through rapid change. As people leave the organisation or are moved between jobs, and as jobs and systems are changed or 're-engineered', knowledge of who is supposed to do what, when and why, is lost. Knowledge of how systems work, or were intended to work, is also lost (*interviews # 114, 147, 1138*). This was described as the 'unlearning organisation' (*interview # 117*). With this knowledge is also lost understanding by staff of what is reasonable, thus undermining effectiveness of monitoring input, operations or output (*interview # 1149; document # 138*). Managers, expressing this disquiet, showed anxiety at loss of control assurance based upon corporate knowledge, as indicated in Figure 11.1. This dissipating corporate knowledge was seen in the form of experience and also procedures in a wide sense of written and systematic regulation of how business operations are supposed to work.

#### 11.4.4 Policies and guidelines

Some British interviewees mentioned policies in connection with providing control assurance (*interviews # 603, 1095, 1173, 1179*), and distinguished them from procedures, to an extent that was not apparent among Chinese and Czech interviewees. For these British interviewees, policies set parameters or limits within which activities may be done, direction for the business, and the risks or the types of business that may be entered (*interviews # 1173, 1197*). Policies therefore may define an area of discretion (*interview # 4*). They are generally broader in scope, and refer more to business objectives and standards, than do procedures (*interviews # 1143, 1188*). In contrast, procedures tell staff how and when to do a task (*interview # 1197*). These explanations were consistent with definitions of policy and procedures included in international and British policies of one of the two MNCs (*documents # 188 and 189*):

*"Policy controls are the general principles and guides for action which influence decisions. ... Procedures prescribe how actions are to be performed consistently with policies"* (*document # 189*).

A British manager commented that an effective way of managing different cultural attitudes to management control is to set international policies within which local indigenous management may establish their own procedures and control systems (*interview # 4*). This approach, which may no doubt be effective in many situations, of course depends upon local staff interpreting, accepting and complying with the policies in a way that is consistent with intentions of the international management. An example of such inconsistency was given by a British manager with expatriate experience in Africa: local management had set their own policy that accorded with expectations of international management; however, some months later, so many exceptions had been allowed that it had turned into a “rubber policy” (*interview # 165*).

A unifying theme to British views on policies, procedures and the rules of law appears to be that conduct should be regulated by principles, but that there is advantage in deciding each case on its merits, albeit without transgressing those principles. It is illustrated by the box ‘Pragmatic use of principles & procedures’ in Figure 11.1. This mixture of pragmatism and principle is consistent with the reliance on a variable mix of contracts and relationships seen in Chapter 7 on regulating external business relations.

### **11.5 Culture and other contextual factors**

This section summarises and discussed cultural and other contextual factors for laws, rules and procedures and how they contribute to managers’ control assurance.

Concern for general principles and for the rules of law may be related to the cultural dimension of Universalism. The contrasting concern for people and relationships suggests Particularism (Appendix A). This is consistent with the cultural survey, which found Czech culture to be significantly more Universalist than mainland Chinese culture (Table 6.1). It found British culture to be more Universalist than mainland Chinese culture but not significantly so. Universalism and Particularism are therefore included in Figure 11.1.

High Uncertainty Avoidance, as measured by Cragin (Table 5.6), may help explain mainland Chinese reluctance to constrain future executive action with unambiguous laws, and preference both for flexible interpretations. For this reason, Uncertainty Avoidance is included in Figure 11.1.

The individual morality and communal morality indicate Czech Individualism (5.2.2 *Individualism*) and mainland Chinese group orientation (5.1. Mainland Chinese culture – 2. Group orientation) respectively. This is consistent with the considerably greater Individualism found by Trompenaars for Czech culture than for mainland Chinese culture (Table 5.3.) Individualism and Collectivism are therefore also included in Figure 11.1.

Procedures are situation specific. Perceptions that they are important to control assurance may be associated with Specific culture. As British culture was found in the cultural survey to be more Specific than Czech culture, and to be significantly more Specific than mainland Chinese culture, it too is included in Figure 11.1. This is supported by a correlation in the corroborative statistical tests between the Specific – Diffuse cultural dimension and procedures and internal regulations (Table 13.8). It is also supported by a significant correlation between Specific – Diffuse and people liking procedures.

The finding of a tendency among Czech staff to object to procedures until the staff understand the reason for the procedures and how they will achieve that purpose, is probably a manifestation of both Individualism and Internal Locus of Control. This is consistent with the very high Czech Individualism found by Trompenaars (Table 5.3) and the Internal Locus of Control found in the cultural survey (Table 6.1) to be higher, although not significantly higher, for Czech than for mainland Chinese or British cultures. This finding is probably also a negation of unconditional acceptance of control by other people and of hierarchy. This does not appear clearly from the findings of the cultural survey (Table 6.1), perhaps because of the conditional nature of Czech attitudes to hierarchy, which was discussed above (9.8.2 *Czech views*). However, objecting to procedures until the reason for them is understood was found to correlate significantly with Internal Locus of control and significantly but negatively with Locus of Control in Other People (Table 13.8). Internal Locus of Control is therefore included in Figure 11.1.

The pattern of opinions concerning laws is obviously closely related to the state and strength of legal structures, such as legislation and courts, in each of the three countries. Other contextual factors mentioned by interviewees include examples set on television and by Western organisations in mainland China, Chinese concern for face, effects of the Communist regime in the Czech Republic remaining from before

1989, uncertainty felt by British people during organisational change, and the increasing litigiousness of British society.

## **11.6 Relating findings on laws, rules and procedures to the literature**

This section starts to relate findings on laws, rules and procedures to existing literature on these topics. Later sections refer more specifically to cultural theory and empirical research.

### **11.6.1 Chinese legal system**

Several of the findings here, including mainland Chinese preference for mediated solutions over legal confrontation, are reflected in the discussion by Clarke (1996) of enforcement in mainland China of civil court decisions. He describes low status of judges and officials among mainland Chinese bureaucracies, low enforcement rates for court judgements, and partiality of judgement arising from government and Party influence over local courts and judges. Local courts may therefore be obliged to bow to local interests in order to safeguard their salary bonuses, appointments, and resources, and also in order to secure sufficient support for enforcement of their judgements. Partiality of judgements and difficulties in enforcing judgements discourage litigation: not only may winning parties fail to achieve the intention for court judgements, but they may fail to recover their litigation costs.

Clarke (1996) describes how these problems of partiality and low rates of enforcement encourage parties to continue traditional means for resolving disputes. These traditional means include parties seeking a common superior with whom they engage in ad hoc bargaining; this is therefore resort to hierarchical solutions. At the same time, those in authority use specific executive directives for particular problems rather than relying on legal institutions to enforce general solutions.

*“The problem of local government interference appears to remain substantial. Chinese courts are not, along the Anglo-American model, powerful arbiters of last resort who can decide important questions involving powerful state leaders. Instead, they are in practice just one bureaucracy among many with a limited jurisdiction. When a court is on the same administrative level as a defendant, it simply lacks the rank to enforce” (ibid., page 52).*

This is consistent with low regard, found here among Chinese managers, for the rule of law as an overarching principle. Accordingly, mainland China is not yet achieving the potential for greater uniformity of legal process and consistent authority over other bureaucracies that is expected of Western legal institutions. The Chinese legal system is part of a larger problem of partiality and Particularist solutions. Clarke attributes continuing lack of general applicability of law in China to institutional factors. Firstly, without sufficient economic reform and a 'level playing field' in markets, applying general rules without recognition of particular circumstances would be unfair. But this supports Particularist solutions that obstruct development of a market economy. Secondly, Chinese courts do not fit into Chinese thinking on power and authority. They lack sufficient vertical authority, or *tiao* 条, because without constitutional separation between executive, legislative and judicial arms of the State, they are just another bureaucracy. They also lack horizontal authority, or *kuai* 块, because of the pervasive influence of the Communist Party of China. Finally, the universal authority of legal "rules that purport to operate horizontally, across bureaucracies, and to bind all citizens and institutions equally" (ibid. page 85) is alien to Chinese thinking.

Findings here that Chinese managers see rule as by people rather than by law or regulation is reflected by Ch'ng (1997):

*"China has never been a civilisation with a tradition which stipulates that the rule of law should be held above the rule of men." (ibid., page 65; also Kapp, 1997; Beamer, 1998)*

*"Confucian tradition prefers moral to legal mechanisms of restraint. ... Confucius believed that the rule of law is inferior to the rule of men: but only by men who set appropriate examples of behaviour." (Ch'ng, 1997, page 67).*

Or as put by Confucius (1997, 2.3):

*"If you govern them with decrees and regulate them with punishments, the people will evade them but will have no sense of shame. If you govern them with virtue and regulate them with rituals, they will have a sense of shame and flock to you."*

The use of ambiguity found here has a parallel in Clarke's (1996) finding that the Chinese legal system is unwilling to ensure finality of legal process. Many avenues

are open for courts and litigation parties to reopen or to continue cases in order to accommodate particular circumstances. Ch'ng (1997) attributes Chinese legal ambiguity to law being seen as nothing more than administrative guidelines:

*"Chinese laws are often very poorly drafted and worded. The vagueness and ambiguities have so far been tolerated by the Chinese authorities which view the laws as a set of administrative guidelines subject to the interpretations of the bureaucrats; as such, officials are expected to exercise discretion depending on the circumstances."* (Ch'ng, 1997, page 65).

#### 11.6.2 Private law in China and the West

Carver (1996, page 11) contrasts

*"the private law regimes of Western business dependent on their belief in a civil society, and the lack of recognition of a private law regime in the China of the 1990s."*

Central to the Western concept of civil society is the concept of privacy of individuals and how social bonds can tie the individual to society. To this she relates a Western philosophy of management as "implied and express attitudes of organization towards employee, consumers, suppliers, owners government and society" (ibid. 16), which in turn involves management in creation, recognition and enforcement of rules. She attributes Chinese crony capitalism<sup>76</sup>, which places a premium on connections and *guan xi* rather than skill, to paucity of Chinese private law. Interestingly, she traces the differences between China's 'arbitrary authoritarianism' and the Western legal foundation for civil society, to historical

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<sup>76</sup> While it may, following collapse of Far Eastern markets in 1998, be fashionable to criticise 'crony capitalism', the interpretive stance of cultural relativism (Hofstede, 1991) is taken here. Accordingly, each perception is seen as valid in its own context. The challenge for Western minds is to respect and understand the views from a different culture, without necessarily abandoning the values and basic assumptions representing their own cultures. This may be easier if it is remembered that while all systems have their strengths, weaknesses and failures, such terms as 'relationship banking' or 'relationship marketing' have had a respectable following in the UK (Petersen and Rajan, 1994; Sykes, 1994; FT Mastering Management Review, 1999).

roots. She points to how Western legal systems arose from Roman justice and the bonding of Christian morality with law, which arose both from establishment of Christianity as the state religion and through ecclesiastical law.

Certainty and transparency of Roman law developed from the 12 Tables of 450 BC, which were set up in the market place in response to calls for publication of the law (Nicholas, 1962). A parallel may be drawn with the certainty and availability of the twelve commandments and publication of Judaic law in the books of Leviticus (1978), Numbers (1978) and Deuteronomy (1978). Both of these civil and religious traditions for publication of the law have, no doubt, influenced traditional attitudes in both the UK and the Czech Republic. In contrast, Confucian thinking was hostile to the concept of law, basing good government on the moral character of rulers and administrators rather than on systems of government (de Bary, 1960). Chinese law still has a tradition of secrecy (Carver, 1996). This contrast between certainty and transparency of European legal traditions, and a tendency towards secrecy of Chinese law is reflected in the findings described here for attitudes to information (*10.7 Transparency, trust and relationships*, and *10.9.2 Transparency or secrecy*).

Low Chinese regard for the rule of law and greater respect for rule by men, encourages business on the basis of personal relationships (Kapp, 1997). Whitley (1999) posits that low trust in institutions such as legal systems, together with trust in direct personal knowledge or recommendations, is likely to be related to paternalist authority relations within organisations. He describes such patriarchal control as characterised by institutionalisation of inequality in status and competence between superiors and subordinates, and sometimes in moral expectations such that superiors take responsibility for the interests of their subordinates. He also links both low regard for the rules of law and high regard for rule by men to low reliance within organisations on formal rules and procedures. His theory seems to be borne out by findings here concerning Chinese attitudes to law, procedures and those described in Chapter 9 for internal relations.

### *11.6.3 Czech legal system*

The Czech Republic has made rapid progress towards the Western European market mode of economy. Its constitution emphasises the independence of its judiciary

(E.I.U., 1999). Although much legislation has been passed, problems with its legal system remain, as reported by (PricewaterhouseCoopers, 1999, page 10):

*"The court system is still short of resources. Civil cases such as those involving nonpayment of debts, bankruptcies and tax matters can take many years to be heard, and judicial expertise in such matters is very limited. Thus, the courts do not yet represent a realistic channel through which disputes such as those between taxpayers and the authorities can be satisfactorily resolved".*

The Czech Republic is clear that the rule of law should be respected. Havel (1997, page 2), the Czech President, argued before Parliament for:

*"the rule of law; the moral order behind that system of rules, that is essential for making the rules work";* and further (page 3) for

*"clear, sound and universally understandable rules, and when such rules are generally respected. ... an all embracing cultivation of the moral order."*

Although he (ibid., page 1) deplored the current level of corruption:

*"The prevalent opinion is that it pays off in this country to lie and to steal: that many politicians and civil servants are corruptible; that political parties – though they all declare honest intentions in lofty words – are covertly manipulated by suspicious financial groupings."*

However, China also has intentions to improve its legal system:

*"We should continue to press ahead with the reform ... and improve the socialist legal system, governing the country according to the law and making it a socialist country ruled by law" (Jiang, 1997, page5).*

Findings in this study suggest that while, both countries have considerable hurdles to overcome in legal reform, Czech managers expect greater respect for the rule of law, and have higher expectations for what this might mean for control assurance, than do Chinese managers.

#### 11.6.4 Weber's ideal type of bureaucracy

Weber's ideal type of 'bureaucracy' was compared to British perceptions of roles and mainland Chinese paternal hierarchies (9.10.5 Literature on roles). The importance found here of procedures to many British managers brings in the rules element of Weber's ideal bureaucracy. Unlike law, procedures are specific to a

particular task or position in an organisation. This contrasts with instructing staff, which was generally important to Czech managers (9.3.2 *Czech views*). Procedures also have more possibilities of horizontal co-ordination, which contrasts with vertical command of Chinese paternal hierarchies: procedures may be developed outside a vertical line of command; they also set out what staff in different departments and functions may expect from each other.

It appears that a tendency for British managers to rely on roles and procedures is consistent with Weber's ideal bureaucracy (Weber, 1947; Parsons, 1949). Indeed one British interviewee linked procedures to roles: "People can say 'It's not my procedure, so it's not my role, take your task somewhere else' " (*interview # 1153*). Procedures together with the roles, acting like the rules and offices of Weber's bureaucracy, may act as counterbalancing constraints to empowerment. It is interesting to note that Weber's ideal bureaucracy is inconsistent with not only Chinese paternal hierarchy<sup>77</sup>, but also with Czech dislike of procedures.

### ***11.7 Relating findings on laws, rules and procedures to cultural theory***

The purpose of this section is, firstly, to corroborate the cultural dimensions identified as part of the context for these findings on laws, rules and procedures. Secondly, it is to see how far existing cultural theories are supported by these findings.

#### **11.7.1 Hofstede's theories**

Hofstede (1991) links high regard for the law, and how much organisation members think that internal rules and procedures should be followed, to high Uncertainty Avoidance. He refers to the equal application of laws in the ancient Roman Empire and the lack of equality before the law in the Chinese Empire. He uses this comparison to explain the roots of high Uncertainty Avoidance among cultures with a Latin based language, such as Portugal, Belgium, France, Spain and Italy, compared to lower Uncertainty Avoidance of Chinese speaking cultures of Taiwan,

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<sup>77</sup> Parsons (1949) contrasts Weber's concept of bureaucracy to administration in imperial China.

Hong Kong and Singapore. Unfortunately, this argument does not accommodate the very high measurement of Uncertainty Avoidance for mainland China by Cragin (Table 5.6).

Hofstede (1991) also implicates the Individualist – Collectivist cultural dimension and High or Low Context Communication in cultural attitudes to laws. He points out that, in Individualist Low Context Communication cultures, rules tend to be explicit and written, whereas in Collectivist High Context Communication cultures, such as Japan, they tend to be implicit and rooted in tradition. This theory does appear to be consistent with the empirical findings here of higher British than Chinese concern for the rule of law and its implications for providing control assurance. This is because Trompenaars (Table 5.3) found mainland Chinese culture to be Collectivist in comparison to British culture and Czech culture to be even more Individualist than British culture. Also Chinese language is considerably higher context communication than English or Czech (see above, *10.10.1 High – Low Context Communication – need to communicate*).

Hofstede (1991) associates Individualism also with equality of legal rights for all individuals, whereas differentiation in legal treatment between groups is more likely to be accepted in Collectivist cultures. The findings here of Chinese expectations for flexible interpretation of rules and preferences for mediation give some support to this position. For example, equality might be avoided by mediation or flexible interpretation appropriate to the particular circumstances or people. This however appears to indicate attributes of Trompenaars' cultural pole of Particularism as much as of Collectivism.

#### 11.7.2 Trompenaars' dimensions

In contrast to Hofstede (1991), Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) has a single cultural dimension of Universalism – Particularism to explain attitudes to the law. Universalist cultures have a high regard for the rules of law and for universal principles, whereas in Particularist cultures interpersonal relationships and the dictates of particular circumstances are seen as more important. The significantly higher Czech than Chinese Universalism found in the cultural survey (Table 6.2) appears to explain the finding of the qualitative analysis that Czech managers have greater concern than their mainland Chinese counterparts for

rules and moral principles. However, this is not supported by Trompenaars' measure of Czech Universalism, which is very similar to his measure of mainland Chinese Particularism (Table 5.3). The higher British than Chinese Universalism, found both here and by Trompenaars (Tables 6.2 and 5.3), is however consistent with relative attitudes to the rules of law and procedures. This theoretical link between Universalism – Particularism and attitudes to the law, corroborates the identification of this cultural dimension among contextual factors (*11.5 Culture and other contextual factors*).

Trompenaars and Trompenaars and Hampden-Turner (1997) also relate Universalism to internal regulations necessary to support worldwide systems. They describe how the reaction, of a manager in Particularist Venezuela to a job evaluation system, was to question whether he or the system should decide which of his subordinates should be promoted. One might imagine therefore that it is in Universalist cultures that standard worldwide systems and procedures might be welcomed as providing control assurance.

Trompenaars and Trompenaars and Hampden-Turner (1997) bring in the dimension of Specific – Diffuse to explain attitudes to internal instructions. It was shown above (*9.12 Relating findings on internal relations to cultural theory*) that this is not supported by findings on expectations that bosses should instruct their staff. However, they maintain that, while in Specific cultures clear precise and detailed instructions ensure better compliance, or allow staff to dissent in clear terms, in Diffuse cultures ambiguous or vague instructions allow responsive interpretations and exercise of judgement. This is supported by findings here of a Chinese propensity to issue vague rules and expecting flexibility through interpretation, of Czech staff reluctantly accepting procedures when they understand the purpose for them, and British staff and managers tending to like procedures for the reduction in uncertainty that they offer. This fits with the findings in the cultural survey (Table 6.2) of British culture being Specific, Chinese culture being Diffuse, and Czech culture falling between the two. It also corroborates inclusion of British Specific culture among contextual factors for the finding of British preference for procedures.

### 11.7.3 Hall's theory of High or Low Context Communication

Hall's theory (1977) of High or Low Context Communication is used by Boisot and Child (1996) to help explain low codification of information and low reliance on legally sanctioned rights in mediation of Chinese transactions. Chinese High Context Communication would explain a lower need in Chinese compared to British society for codified law, and a lower reliance on written procedures by Chinese managers compared to British managers. It does not, however, explain apparent Chinese propensity to issue high volumes of regulations and procedures.

In summary, Trompenaars' cultural dimension of Universalism – Particularism and Hofstede's ideas on Individualism – Collectivism give better explanation for these findings concerning attitudes to the law than Hofstede's dimensions of Uncertainty Avoidance. Trompenaars' Specific – Diffuse dimension gives some explanation for preferences for procedures and corroborates this as a contextual factor. His theory also corroborates Universalism – Particularism among the contextual factors. However, no prior theoretical explanation was found to corroborate Individualism as a contextual factor for Czech individual morality.

## **11.8 Relating findings on laws, rules and procedures to empirical research**

A number of cross-national empirical studies of management control have inquired into procedures and other forms of internal written rules and policies. Child and Kieser (1979) found, when comparing West German and British companies, that greater reliance on standard procedures was associated with company size, but not with the country. This might suggest that the tendency seen here for British managers to favour written procedures may not be found throughout Western Europe.

Kelly et al. (1987) found no significant difference between Japanese and US managers in their attitudes to written procedures. However, Chow et al. (1996) found that Japanese profit centre managers, compared to their US counterparts, are subject to tighter procedural controls. Chow et al. (1999b) researched the use of written policies, rules, standardised procedures and manuals in US and Japanese firms in Taiwan and indigenous Taiwanese firms. They found that the Japanese firms used these significantly less than did the indigenous Taiwanese and US firms.

There has therefore been no consistent pattern in procedures as part of management control, found by earlier studies between US and Japanese managers and companies.

Formal control may be identified with perceptions of control that see clear rules and procedures as making an important contribution towards control assurance. The review of empirical research (2.3.3 *Types of control in different national cultures - Formality of control*) found little consistency in findings on formality of control, either in terms of the countries or cultural dimensions that might indicate greater or lesser formality.

Prior empirical research therefore appears to give little reference for comparison to the findings of this research. This study has moved exploration of the subject forward. This is in terms not only of comparing a new set of countries, but making more detailed inquiry into attitudes to internal rules and procedures, and in relating these to cultural and other contextual factors, such as attitudes to the rule of law.

### **11.9 Conclusions on law, rules and procedures**

Findings from selective coding for this key category of law, rules and procedures show that mainland Chinese managers tended to rely on people and interpersonal relationships, rather than on respect for the law and on rules and procedures, for providing control assurance. Nevertheless, they may issue a relatively large volume of rules and procedures. This may be where they have insufficient influence through interpersonal relationships, or are unsure of these. Where rules and procedures are used, those who issue and administer them may seek to protect themselves by recourse to ambiguity and flexible interpretation. In these cases control assurance may be supported by severe punishment.

Czech managers appeared to place considerable reliance on respect for the law, understanding of universal principles, and individual morality. Like mainland Chinese managers, they tended not to regard procedures favourably, seeing them as constraints. Where procedures were issued, there appeared to be a general Czech tendency, although not identified within CoX and CoY, for them not to be used. Furthermore staff subject to procedures, including staff in CoX and CoY, tended to object to procedures until they clearly understood the reason for them.

In contrast, British managers tended to see procedures as contributing to control assurance. They also tended to see policies as contributing to control assurance, which they distinguished from procedures. Respect for the law, policies and procedures appeared to represent pragmatic use of principles and procedures designed for specific activities and positions. Figure 11.1 illustrates these findings of patterns in differences between mainland Chinese, Czech and British managers in their perceptions of how law, rules and procedures contribute to control assurance.

These findings were seen to be consistent with considerable literature comparing the Chinese to Western legal systems. Differences are thought to arise from cultural, philosophical and historical factors. Findings are also related to rapid change in the Czech legal system. Weber's ideal type of bureaucracy was referred to in order to show a link between British perceptions of procedures and of roles, and to contrast these British to mainland Chinese perceptions.

Mixed support was found for these findings from cultural theory. Empirical cross-national research into management control appears not yet to have advanced to the point where it can provide comparison to these findings.

## CHAPTER 12. SYSTEMS LOGIC

### 12.1 Introduction

The structure of this chapter is similar to previous chapters on key categories. However, after this introductory section, findings are explained in just 2 sections. The reason is that this chapter contrasts the views of Chinese managers to the views together of Czech and British managers, as relatively few differences were identified between Czech and British views. Contextual factors are then summarised, before findings are compared to literature, to cultural theory and to empirical research. Conclusions for the chapter are finally summarised.

#### 12.1.1 The key category of systems logic

Various opinions on some aspects of system dynamics, such as different sources and effects of change, had been captured and tabulated during the axial coding. However, on further inquiry in selective coding they indicated insufficiently clear differences between managers from different countries to warrant further inquiry. They were therefore abandoned as a key category.

However, patterns in various other categories concerning systems, control processes and planning emerged from interviews. Identification of these was stimulated by some remarks by interviewees (*interviews # 993, 996, 997*) in the final full day of fieldwork in Beijing. These reminded the researcher of comments made earlier by other interviewees in Beijing (*interviews # 741, 801, 912*), and kindled further inquiry with Chinese interviewees in the UK. They were identified as a key category during the final stage of fieldwork in January 1998 (Table 4.2). Further data was accumulated by reference to existing interview transcripts.

This key category contrasts perspectives on management control in terms of process to perspectives of control in terms of context and opportunities. The name for this key category, 'Systems logic', is chosen to embrace both of these perspectives. 'System' is therefore used in a wider sense than "a set of interrelated elements ... set of interdependent variables" (Reading, 1997), or "a group of related elements organized for a purpose" (Parker 1984). The perspectives of context and opportunities within this key category indicate an open systems meaning, with its

concern for transacting with the environment and adaptation to changing conditions, as well as for transformation of inputs into outputs and regulation of the system (Nicholson, 1995).

Control assurance in this key category includes identification of business opportunities and planning as well as of execution of business activities. This followed from theoretical sampling stimulated by comments of interviewees, as described above. It did not intentionally follow any prior theories of management control embracing strategy and planning (Flamholtz, 1983; Otley, 1994; Simons, 1995).

### 12.1.2 Interviewees

Data for this key category was identified from interviews with 29 of the 30 axial respondents and from a further 26 interviewees. The 55 interviewees whose views contributed to this key category are analysed in Table 12.1.

Location Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
					Male	Female	
UK: CoX CoY Other	9			2	9	2	21
	6		2	1	7	2	
			1			1	
Prague: CoX CoY Other	1	7			6	2	14
	1	5			4	2	
Beijing: CoX CoY Other	3		6	5	9	5	19
			4	1	2	3	
Elsewhere Other			1		1		1
TOTAL	20 =====	12 =====	14 =====	9 =====	38 =====	17 =====	55 =====

**Table 12.1: Interviewees for selective coding on systems logic**

### 12.1.3 Overview diagram

These categories are illustrated with some contextual factors in Figure 12.1. This shows differences between mainland Chinese and European managers in their views of systems logic.

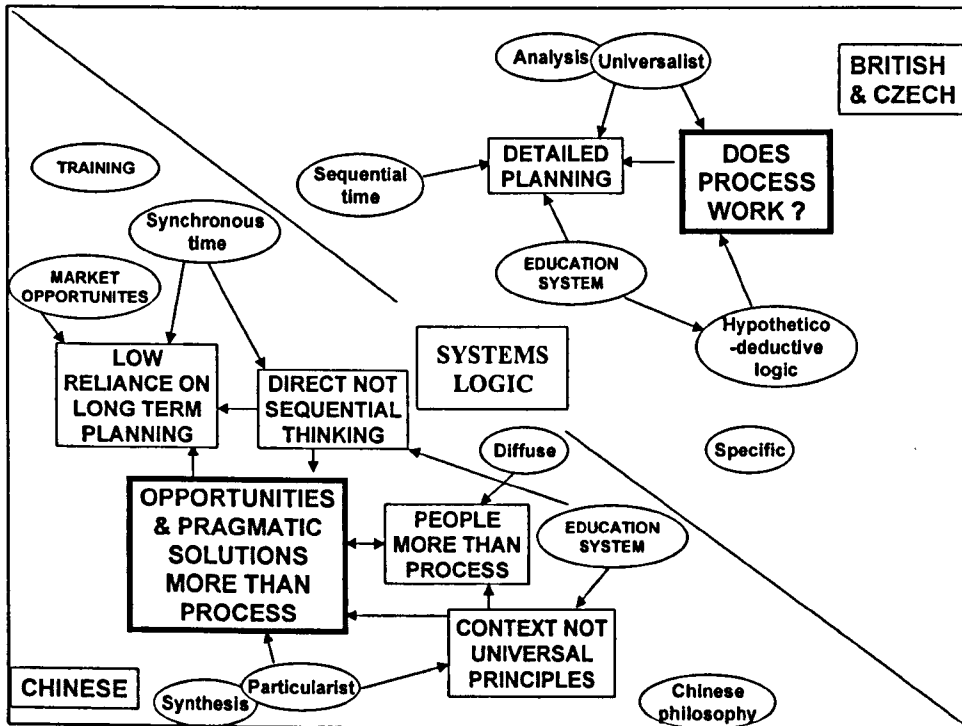


Figure 12.1: Perceptions of planning and control systems<sup>78</sup>

## 12.2 Chinese attitudes

### 12.2.1 Time and planning

Several interviewees, in discussing planning of activities, compared European sequential attitudes to time with Chinese synchronous attitudes (*interview # 876*). For example:

<sup>78</sup> The use of boxes, ovals and arrows in this diagram follows the convention used and explained for Figure 7.1.

*"British people have to go through steps 1,2,3,4,5. Chinese people can go straight from 1 to 5" (interviews # 1155, 1209, 1215).*

This direct rather than sequential thinking was related to relatively greater emphasis on imagination by Chinese philosophers such as Lao Zi (1994) and Zhuang Zi (1964)<sup>79</sup>. This contrasts with greater use of deductive logic by ancient Greek philosophers (interview # 1215). Another comment was that:

*"A Chinese company may start 25 projects at once, whereas a Western company would select 1 or at most 3." (interview # 741).*

However, it was also said that Chinese fear of stepping outside their 'comfort zone' may discourage them from working on more than one task at a time (interview # 879; document # 931).

Chinese managers were described as being able to plan faster than British managers, as the latter attempt to identify all alternatives and consequences. The faster Chinese approach was attributed to Chinese education where more is learnt and less debated than in the British education system (interview # 1119).

A further observation by an interviewee about synchronous and sequential attitudes to time was that US and British managers may project an image of dynamism, of getting things done, whereas Chinese managers tend to cultivate an image of relaxed power and influence. This was illustrated by an image of Chinese managers appearing relaxed as they walk with cigar and mobile phone, which contrasts with an image of Western managers hurrying about with their brief cases (interview # 741). The implication is that success according to a sequential view of time requires rapid progress through a number of successive tasks or milestones. In contrast, success for someone with a synchronous view of time depends upon being able to co-ordinate

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<sup>79</sup> This refers to the Chinese founders of taoist philosophy, Lao Tzu (1994) and his follower Chuang Tzu (1964). Their names are spelt in this dissertation with the pinyin method, as now used in mainland China, rather than the more traditional Wade-Giles method used in these English translations. Lao Zi is thought to have been a contemporary of Confucius (Watson, 1964) around 500 BC, and Zhaung Zi to have lived from 369 to 286 BC (de Barry, 1960) which makes him a contemporary of Mencius.

concurrent activities, or being in a strong strategic position from where opportunities can be selected.

The cultural questionnaire had a question to measure sequential and synchronous views of time (Question 34 in Appendix D). Although the differences in responses between Chinese, Czech and UK survey respondents was not significant (Table 6.1), the 35 Chinese responses tended to be more synchronous than were the 34 Czech or 30 British responses. It should be noted from Table 6.1 that there was a significant difference between CoX and CoY survey respondents. Those working for CoX tended to give more sequential responses than CoY respondents. This appears to relate to the nature of their businesses: management of tasks for marketing, supply, stockholding and delivery of physical products by CoX may be more sequential than provision of service by CoY, which may involve more simultaneous consideration of multiple factors such as time, cost and service quality.

The qualitative analysis of interviewees' opinions was sorted again by company in order to check if they showed greater disparity between MNC than country of upbringing. There was no appreciable difference in these opinions from CoX and CoY.

Relatively low Chinese regard for sequential views of time are probably reflected in the view that planning in detail beyond the near future is futile (*interview # 741*). As an illustration of this view an interviewees quoted the following couplet:

欲穷千里目，  
更上一层楼

*Yu qiong qian li mu,*  
*Geng shang yi ceng lou*

from the Tang poem '*Deng Guan Que Lou*' by Wang Zhihuan (Xu et al. 1987). It was explained as meaning that success only comes from looking at the broad vista from an upper floor, not by looking at details in the basement (*interview # 1155*).

Besides Chinese people tending to have a more synchronous view of time than do British managers, they were described as having a longer time horizon. For example, the Chinese Government was for many years after 1949 happy to leave Hong Kong and Macao as European colonies (*interview # 1221*):

*"Why rock the boat? We know they will revert to China in the fullness of time".*

This is consistent with the view expressed in the Tang poem quoted above, which implies an eternal cycle time. Its implication can be that a broad or long term view is important in order to identify context and opportunities.

This tendency for low reliance on detailed long term planning is depicted in Figure 12.1.

### 12.2.2 Opportunities

A number of interviewees illustrated Chinese concern for business opportunities more than for the process necessary for achieving them (*interview # 1155*). For example, a Chinese bidder put in a bid for a construction contract, thinking that the price could be worked out later. The bidder won the contract and then later sued for compensation of US \$850,000. For this Chinese contractor, the opportunity of securing the bid was more important than the detail of how much the work would actually cost. Furthermore, Chinese lawyers apparently pay relatively little attention to procedure and more to end results (*interview # 993*).

The example may be remembered of a Western manager complaining that an investment proposal by his Chinese subordinate “was a pack of lies!”, when it turned out one year later to bear no relation to the proposed plan (*interview # 927*). A Chinese reaction to this anecdote was that the opportunities expected for the future may be more important than whether the implementation one year into the project is proceeding according to plan (*interview # 993*).

Chinese interest in opportunities, more than in process, is illustrated in the anecdote:

*“In a feasibility study all the figures may be fudged so that it comes out with an answer that will be accepted; (the project) will be implemented next year and completed the year after when the position will be different, when we will anyway find another way to make lots of money”* (*interview # 741*).

While this illustrates an optimistic view of economic conditions, it is also another illustration of the Chinese disdain for planning in detail beyond the immediate term.

This Chinese tendency to be more concerned about opportunities, than in processes for achieving them, has a parallel in the tendency for regulatory ambiguity and flexible interpretation (*11.2.7 Mitigating the impact of regulation and punishment - Ambiguity as escape routes*). These parallel tendencies appear to reflect concern for

keeping options open so that promising opportunities may be pursued as they arise, rather than for commitment to a specific course of action. That is to value the contextual strength and flexibility of a position that offers advantageous opportunities, over the sequential logic of commitment to a robust plan.

It also has a parallel in valuing information that is kept private, rather than using the process of public challenge to enhance its value. Information that is not widely known may potentially be used for competitive advantage if circumstances permit.

### 12.2.3 Contextual and synthesising thinking

Concern for long term opportunities, rather than in detailed long term planning for how to realise them, may be related to a Chinese tendency to look for pragmatic solutions within the particular context, rather than conceptual thinking in terms of universal principles (*interview # 930*). For example, while discussing the design of management control systems, it was said that Chinese people tend not to be interested in concepts (*interview # 996*), and not to look for how concepts or rules might apply in other situations (*interview # 786*). This is connected to the Chinese assumption that how laws and regulations should be applied in particular situations should be interpreted flexibly so that they are appropriate for the particular circumstance (*interview # 639*). It was also related by an interviewee to the low regard for the rule of law in mainland China (*interview # 1215*).

An explanation for Beijing taxi drivers not wearing seat belts, in contravention of the law, was that they believe in their own driving skill, that traffic is slow because there are so many cars, and they trust in their own fate and good fortune (*interview # 933*)<sup>80</sup>. Accordingly Beijing taxi drivers tend to see their situation in terms not of general concepts for traffic and safety, but of their particular situation.

This contextual thinking is shown in Figure 12.1 by the box labelled 'Context not universal principles'. It was related to the Chinese tradition of synthesis as another

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<sup>80</sup> The researcher's opinion, based on personal observation while in Beijing, was that driving skill of taxi drivers was not high, traffic was not always slow, and when slow it was seldom safe. Seat belts were seldom useable. Attempts to use the seat belt when in the front passenger seat were usually met with instructions from the taxi driver either not to fasten it, or that it was only necessary to drape it across one's body when passing a policeman.

explanation for the Tang couplet quoted above from '*Deng Guan Que Lou*'. This may be contrasted to the European tradition of analysis and reductionistic thinking (*interview # 1155*). Whereas European thinking usually moves from general concepts to analytical details, Chinese thinking tends to move between pragmatic solutions and synthesis of relationships within a context. Pragmatism was therefore another feature of mainland Chinese attitudes to planning and management control.

#### 12.2.4 Pragmatism

In discussing pragmatism of Chinese attitudes to management control, an interviewee pointed to Deng Xiao Ping's pragmatic solution of 'one country, two systems', for absorbing Hong Kong into the People's Republic of China. This was a denial of any overarching concept (*interview # 1221*).

An interviewee agreed with a description for Chinese people as 'social pragmatists', and explained how a Chinese business person would expect a business partner to support him, rather than let him down by insisting on a point of principle. This interviewee gave as an example question 1 of the cultural questionnaire (see Appendix D), concerning whether to give evidence against a friend in a traffic accident. According to this interviewee, the typical Chinese answer would probably be that the friend would be supported if he or she were a business partner or close associate, but not if there was no such close relationship (*interview # 1212*)<sup>81</sup>.

An obvious facet of this tendency for pragmatism is interest in solutions. For example, Western consultants were making a presentation of their recommendation to a Chinese company. The Chinese clients asked the Western presenters to cut the 'fancy slide show', not to update 'the pretty schedules', but just to deliver the solution. The Western consultants were concerned that, without following their process and the client understanding the new system, quality of the recommended solution could not be assured (*interview # 912*).

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<sup>81</sup> As it happened, responses to the two parts of this question by people from mainland China were 68% in favour of supporting the friend, whereas 51% of Czech responses and 72% of British responses were in favour of testifying against the friend.

This interest in pragmatic solutions is probably also reflected in the Chinese propensity for flexible interpretation of laws and regulations that may be inconsistent with their purpose (*11.2.7 Mitigating the impact of regulation and punishment – Flexible interpretation*).

### 12.2.5 Process

Concern of Western managers for control processes has been contrasted here with characteristic concern of Chinese managers for opportunities and pragmatic solutions. Mainland Chinese managers were described as generally having low interest in processes (*interview # 1119*), in achieving these solutions and in systematic planning (*interview # 876*). It was remarked that Chinese managers focus on the ends more than the means (*interview # 1155*). An interviewee pointed out that control in the sense of a process is seen as cumbersome by Chinese managers. Furthermore, they tend not to think in terms of processes such as depicted in the diagrams used in the axial coding of this research as illustrated in Appendix C (*interview # 993*). The link between low interest in control processes together with concern for pragmatic solutions was made with the explanation that a Chinese manager would not look at meaningless threats if he or she knows how to achieve the goal or solution (*interview # 1119*). It is illustrated in Figure 12.1 with the box 'Opportunities & pragmatic solutions more than process'. This links all of the boxes for control elements for Chinese perceptions of systems logic.

A Chinese tendency for low concern for process is reflected in the paucity of feedback information in Chinese organisations (*departmental lunch # 683*), and reluctance of staff to provide it (*interview # 1119*), which was discussed above (*10.5.1 Chinese attitudes*). It is also reflected in the diagrams of the 30 axial respondents' perceptions of credit control. Chinese axial respondents had a significantly lower preference for monitoring control than did British or Czech axial respondents. They also had a lower preference for intervention as a result of that monitoring, although the difference was not significant (Table 6.2).

An explanation of education has already been mentioned for a faster Chinese than Western approach to planning (*interview # 1119*). It was explained how there is relatively more learning of received wisdom in Chinese education, compared to debate in Western education (*9.9 Cultural and other contextual factors*). The view

was put forward that the Chinese educated mind has a greater tendency to jump straight to what is seen as the correct solution, and to spend less time with logic supporting that and alternative answers (*interview # 996*).

#### 12.2.6 People, attitudes and relationships more than process

The Chinese tendency to see control processes as cumbersome (*interview # 993*) was reflected in several discussions, which indicated that Chinese managers tend to see control in terms of people, attitudes and relationships rather than of processes.

It was said that the Chinese view of control is by people, in contrast to the Western (or at least Anglo-Saxon) view of management control as a process or mechanism. It is who is in control that is important, just as in China it is rule by people not by the law (*interview # 1119*).

Besides the people who control, there were references to those who are controlled:

*“Westerners believe in a system, Chinese believe in human beings: a good system cannot replace the intelligence of a good guy”* (*interview # 801*).

The anecdote was told of a manager in an indigenous Chinese company who relied for control assurance on the quality of his staff and was unconcerned about whether they were doing their work in the best way (*interview # 789*). Also it was said that, in order to give flexibility to how the application of rules may limit long term loans, a bank's Chinese credit officer would be inclined to issue rolling loans, rolled over every year, to good borrowers whom the credit officer knows (*interview # 981*). This perception of control in terms of people, opens possibilities for control through the use of relationships, including interpersonal relationships, rather than through process. It reflects also findings of Chinese tendencies to rely more on interpersonal relationships than on contracts and procedures (*7.2.1 Relationships and contracts; 11.2.5 Feeling and relationship more than internal rules and procedures*).

The human dimension of management control was illustrated in the view that control is an attitude:

*“Control is awareness not a system; it is only effective when it is in people's minds”* (*interview # 997*).

In reporting these findings to Western managers of CoX and CoY, considerable sympathy was shown for the view that having the right people and attitudes are

important to effective management control. However, these Western managers would not have been prepared to forego their control processes to rely primarily on having intelligent people with the right attitude (*presentations # 1263 and 1290*). This Chinese control concern for people and relationships, more than control as a process, is illustrated in Figure 12.1. This box labelled 'People more than process' is linked to 'Opportunities and pragmatic solutions more than process', because they both indicate alternatives to process, and may be complementary rather than exclusive alternatives.

In explaining these findings, concern of Western managers for control processes has been contrasted both to Chinese managers' concern for opportunities and also their concern for control through people. These concerns can be grouped logically into a single sub-category of three alternatives, namely opportunities, people and processes. This single sub-category with 3 dimensions was used in analysing weights of opinion. Among 13 interviewees, the weight of opinion about Chinese views of management control was about equally divided between concern for context and opportunities, for people and for process. Among 35 interviewees, the weight of opinion concerning non-Chinese views of management control was three quarters for concern for process, one quarter for people and virtually no mention of opportunities. Among these, British concern for process was slightly higher than Czech concern. Czech concern for people was higher than British concern and not so different in weight of opinion from the Chinese concern. Although negative case analysis suggested that seeing control in terms of people may reflect location effects in all 3 locations (*13.2.1 Qualitative negative case analysis – Differences by location*), a significant correlation was found between this category and Diffuse culture (Table 13.8). So the evidence for national culture as an explanation is at least as strong as location effects.

The possibility is recognised that this analysis of weights of opinion may overestimate the Chinese perception of management control as a process. The researcher became aware of Chinese perceptions of control in terms of people and opportunities only on the last full day of fieldwork in Beijing. Therefore data on most Chinese interviewees' perceptions for this sub-category were not gathered from specific discussion of these alternatives, but from what they said or omitted throughout their interviews. The course of discussion in each interview was

shaped by the researcher's emerging theoretical sensitivity, the interviewee's perception of management control and his or her interest in the research. Late inclusion in the researcher's theoretical sensitivity, of recognising the possibility that Chinese interviewees might not see management control in terms of a process, therefore introduced a bias.

There were comments and indications that training and the experience of working with a Western MNC had affected some Chinese interviewees' ways of thinking (*Training meeting # 651; interviews # 804, 819, 840, 876, 930*). This was apparent with relatively inexperienced staff adopting attitudes to control processes, conceptual thinking and planning more typical of Western thinking. In contrast, some of the stronger views on control in terms of opportunities and people came from mainland Chinese managers with longer experience working with Western organisations (*interviews # 801, 993, 997, 1119, 1155*). Therefore deep seated values and perceptions of national culture appear to have a long lasting influence that, with time and reflection stimulated by experience, can reassert themselves above adoption and perhaps enthusiasm for new ideas learnt from training and employers.

### **12.3 Czech and British views**

Czech and British views of systems and processes do not appear to be very different. Much of their control assurance tends to be concerned with whether systems work, as illustrated in Figure 12.1. It appears that threats and opportunities tend to be seen more as relating to the process, and whether given objectives will be achieved, than to opportunities for new objectives. Both Czech and British views of time and planning appear to be sequential rather than synchronous. The low concern by Chinese managers for detailed long term planning was contrasted to Western views, that projects and processes should be planned in sufficient detail to provide some assurance that intended objectives will be achieved (*interviews # 741, 786, 996*).

Czech, more than British, interviewees appeared to emphasise understanding (*interviews # 483, 528, 1026, 1029, 1071, 1350*) and knowing (*interviews # 1350, 1374, 1329*) whether the system works. Where a British manager mentioned understanding, it was understanding the business rather than the control system or framework (*interview # 117*). Another British manager saw seeing the control system work as being important to control assurance, which implied that 'knowing'

or ‘understanding’ would not be sufficient until evidence was received that it was working (*interview # 1347*). A clear and consistent system plan (*interview # 291*) or process design, with attention to planning of sequential steps (*observation # 343; documents # 426, 429; interview # 1039*), responsibilities and monitoring (*document # 474*) appeared to be more important for Czech managers than for Chinese, or possibly even British, managers. The Czech concern for people was an emphasis on personal integrity and staff understanding their duties. It was therefore rather different from the Chinese concern for relationships with people.

There appears to be a link between this Czech need to understand that the system works and instructing staff so that they understand what is expected of them, which was discussed above (*9.3.2 Czech views*). There may also be a connection with Czech desire for legal certainty. Just as assurance that a system works, and will continue to do so, depends upon some certainty that universal rules determine workings of the system, so also assurance that a legal system and institutions operate effectively depend upon certainty of some legal rules.

In contrast, the impression gained of British managers’ control perceptions was of greater emphasis on a wider mix of control elements such as accountabilities, procedures, authorities, teamwork, organisational structure and roles, and transparent as well as accurate information (*interview # 117*). British, more than Czech, managers therefore appeared to give attention to a balance of checks and supporting processes. Several British managers, but only 1 Czech manager, described this balance in terms of a control framework or an overall picture of management control embracing multiple systems and control elements<sup>82</sup> (*documents # 189 and 880, interviews # 879, 117, 1125, 1197, 1374*). These views of a control framework embraced a variable mix of systems and control elements. One manager saw a control framework as including the control environment, management understanding risks to the business, staff understanding what they are supposed to be doing, and all using common sense. This manager distinguished a control framework from a formal control system, which may be a “glittering carapace” of manuals, procedures

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<sup>82</sup> The Czech manager’s explanation of a control framework was in terms of knowing that the business and transactions are proceeding according to plan. It did not appear to embrace a broad mixture of multiple systems and control elements.

and display of a system (*interview # 1197*). Another manager stressed attitudes to control as part of a control framework (*interview # 1125*)<sup>83</sup>. Control frameworks seemed to represent a more pragmatic approach than the quality of design and understanding sought by Czech managers.

## **12.4 Cultural and other contextual factors**

Interviewees made direct reference to a number of contextual factors. There were references to sequential and synchronous views of time, to synthesis and analysis in thinking, and to differences in education systems. Comparison was made between Chinese philosophy and the European tradition of hypothetico-deductive logic. The context of market opportunities and effects of training and experience of working with Western organisations were also indicated. These contextual factors are shown in Figure 12.1

The cultural dimension of Universalism – Particularism was also clear as a contextual factor. Particularism appeared in Chinese concern for opportunities and solutions in a particular context, in contrast to Universalism of Western concern for general principles that may determine what processes are likely to work. This is supported by the cultural survey (Table 6.1.) which found Czech and British responses to be more Universalist than those of Chinese respondents. The cultural dimension of Universalism – Particularism is included in Figure 12.1.

The tendency to see control in terms of using interpersonal relationships rather than in terms of process, which was found to be more prevalent among mainland Chinese than non-Chinese managers, indicates Person rather than Task orientation, and Diffuse rather than Specific culture. Control in terms of people may indicate Collectivism, which tends to privilege interpersonal relationships. However, this connection is complicated by the tendency also among Czech managers to see people as important, because this importance was based on personal integrity and understanding rather than Collectivist relationships. The importance of people to many mainland Chinese and Czech perceptions may indicate Locus of Control in

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<sup>83</sup> This does not imply that all non-British managers saw a control environment and attitudes to control as unimportant to providing a control assurance (*interviews # 789, 804*).

Other people. The pattern of control perceptions is consistent with the significantly more Diffuse Chinese than Czech or British cultures found in the cultural survey (Table 6.1) and with Czech culture falling between the two. However it is inconsistent with more Locus of Control in Other people found among British than mainland Chinese survey respondents, and the significantly greater Locus of Control in Other people found among British than Czech survey responses (Table 6.1). Consistency with Individualism – Collectivism is unclear because Trompenaars (Table 5.3) found Czech culture to be the most Individualist. Therefore only Specific – Diffuse is included among contextual factors in Figure 12.1. Indeed a significant correlation was found (Table 13.8) between control focus on people and relationships and Diffuse culture (negative correlation with Specific – Diffuse), and a significant correlation was found between control focus on process and Specific culture.

## 12.5 Relating findings on systems logic to the literature

This section starts to relate findings on systems logic to existing literature. Later sections refer more specifically to cultural theory and empirical research.

Redding and Martyn-Johns (1979, page 107) point out that:

*“The structuring of organizations and imposition of control systems onto the structure, imply a view of cause and effect relationships and some form of abstraction.”*

They compare Maruyama’s (1974) ‘unidirectional causal paradigm’, typical of Western thinking, to the ‘mutual causal paradigm’ typical of Oriental thinking. The former embraces the traditional linear cause and effect model, a deterministic view of the world, Universalism or homogenistic thinking, categorical perception, and belief in one truth. In this, knowledge is accumulated from tested abstract theories of relationships between observations. Maruyama traces the deductive and classificatory or categorical thinking of the unidirectional causal paradigm to Plato and Aristotle among other ancient Greek philosophers. The latter Oriental mode of thinking<sup>84</sup> includes acceptance of circular reasoning, organic development through

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<sup>84</sup> Maruyama (1974) he adds a third the ‘random process paradigm’. He stresses that his paradigms are neither exhaustive nor mutually exclusive. He links the mutual causal paradigm to Japanese and, with some differences, to Chinese thinking, as well as to some

multiple linkages and networks with multiple relationships, contextual perception, and multiple truths.

Maruyama (1974) relates his paradigms to perceived ability to predict future events from the present. He explains how under the unidirectional causal paradigm future events are seen to follow predictably as the result of prior conditions. Under the mutual causal paradigm cause is not seen as unidirectional: networks with deviation counteracting causal loops may give small effects to large causes, whereas deviation amplifying causal loops may result in large effects from seemingly small causes.<sup>85</sup>

Redding and Martyn-Johns (1979) maintain that Chinese people tend to avoid concepts. In this, knowledge is based upon reality as it is perceived within its context, rather upon abstract theories. Consequently, Chinese thinking is intensely pragmatic, and Chinese students avoid concept orientated disciplines. While they point to the pragmatism and absence of metaphysics in Confucian philosophy, Honderich (1995) describes Chinese philosophy as predominantly practical. He describes Chinese philosophy as motivated primarily by a concern with how people should live their lives and, in some schools of thought, concern to maintain social and political order. Redding and Martyn-Johns claim that, as a consequence of this mutual causal paradigm, Chinese businesses in South East Asia operate without an organised planning system.

Maruyama's (1974) and Redding and Martyn-Johns' (1979) contrast of unidirectional to mutual causal paradigms appears to give cognitive and philosophical background to the Universalist – Particularist cultural dimension identified here as a contextual factor, as well as to different attitudes to planning. Further empirical evidence of this contrast between Chinese and Western thinking is

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native American thinking, such as that of the Navajo. He links the unidirectional causal paradigm to white middle class US thinking.

<sup>85</sup> Under Maruyama's random process paradigm, outcomes are seen as probable rather than certain. Since his paradigms are not exclusive, he postulates a probabilistic mutual causal paradigm as a combination of the random process and mutual causal paradigms. Under this, random chance events are seen to interject into causal loops creating more uncertainty and making prediction even more difficult.

given by Beamer (1998). Also, Porter (1996) provides examples of managers in Chinese State Owned Enterprises failing to evaluate alternatives and to consider the process for how an outcome is to be attained, when deciding on what course of action to pursue. These examples would offend the unidirectional paradigm.

Hall (1977) contrasts monochronic time, which is a typical perception of time in USA, to polychronic time, typical in Latin America, the Middle East and Mediterranean countries. Trompenaars and Hampden-Turner (1997) equate Hall's polychronic time to Synchronous orientation to time. Hall maintains that a consequence of monochronic time is that tasks are seen as done one at a time, and require some implicit or explicit scheduling; it therefore appears to be synonymous with Sequential orientation to time. According to this orientation, tasks and time are compartmentalised, which reduces attention to context.

*"The particular blindness of the monochronic organization is to the humanness of its members. The weakness of the polychronic type lies in their extreme dependence on the head man to handle contingencies and stay on top of things. (Monochronic) type bureaucracies, as they grow larger, turn inward" (Hall, 1977, page 24).*

Hofstede (1991) remarks that Western thinking is analytical, while Eastern thinking is concerned more with synthesis than is usual in Western cultures. Differences between Chinese and European thinking can be illustrated, rather than proved, by comparing the Chinese classic Sun Zi's Art of War (Sun Tzu, 1992)<sup>86</sup> to Caesar's Gallic Wars (Caesar, 1960)<sup>87</sup>. Chinese synthesis can be compared to European analysis in the opening sentence of each work:

*"The art of war is of vital importance to the state: the way of life or death; the road to safety or ruin." (Sun Tzu, 1992, page 1)*

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<sup>86</sup> Sun Zi was a Chinese general of around 500 BC. His treatise on warfare is used as a guide to business strategy and management (Khoo, 1992), and together with Confucian thinking has had considerable influence on Chinese executives (Chen, 1995). The spelling 'Sun Zi' conforms to the pinyin method, as used in mainland China and adopted in this study. He is spelt 'Sun Tzu' in the traditional Wade Giles method.

<sup>87</sup> This narrates Caesar's military campaign in Gaul and Britain from 58 to 50 BC.

*"The country of Gaul consists of three separate parts, one of which is inhabited by the Belgae, one by the Aquitani, and one by the people who we call 'Gauls' but who are known in their own language as 'Celts' "* (Caesar, 1960, page 11).

Contrasting Chinese concerns for solutions and overall purpose, as opposed to European attention to more immediate goals and processes for achieving them, can also be illustrated in these works. Caesar narrates his battle against the German Ariovistus, who had invaded Gaul:

*"The next day I left what I considered to be adequate garrisons in both camps and stationed all the auxiliaries in front of the smaller camp in sight of the enemy. I hoped that their appearance would make some impression on the enemy.... I placed each of my five senior officers in command of a legion and entrusted the remaining legion to my quaestor, so that each man might know that he was displaying his courage under the eyes of a high-ranking officer. ... the battle again swung our way and the whole enemy army turned and ran. They fled without stopping until they came to the Rhine, about fifteen miles away. A very few, who thought their strength equal to the task, tried to swim across, or managed to find boats and so escaped. Among these was Ariovistus, who found a small craft moored to the bank and got away safely in it. All the rest were overtaken and killed by our cavalry."* (Caesar, 1960, pages 38 – 39).

*"It is also better to capture the enemy's army than to destroy it ... Fighting to win one hundred victories in one hundred battles is not the supreme skill. However to break the enemy's resistance without fighting is the supreme skill."* (Sun Tzu, 1992, page 9).

Sun Zi does maintain that planning well ahead is important. However, this planning seems to be ensuring that one only fights when in danger yet in a position to win, and that the welfare of what is conquered is then restored (Sun Tzu, 1992, Chapter 12). His emphasis is on positioning with respect to weather and ground, and on when and with what resources to fight, rather than on sequential processes of strategy and tactics. Beamer (1998) reports how mainland Chinese organisations avoid slavish adherence to planning, which is in any case less detailed than done by German and US companies.

This literature therefore gives support to findings here that Chinese systems thinking with regard to management control tends towards pragmatic concern with

opportunities and solutions rather than processes for achieving them, and with concern for context and people than with sequential steps. British and Czech concern with whether processes work and with detailed planning can be seen as consistent with European traditions of deductive and sequential thought.

Whitley (1999) contrasts personal trust, in which trust is based upon personal knowledge and interpersonal relationships, to systemic trust, in which trust is based upon institutions and systems. The former he sees as typifying 'patriarchal' control systems found in Chinese family businesses, whereas the latter is more significant in other types of control systems prevalent in Western societies. This gives some support to the finding here that Chinese managers tend to place more control assurance on people and interpersonal relationships than on processes and on general principles.

## ***12.6 Relating findings on systems logic to cultural theory***

Trompenaars and Hampden-Turner (1997) maintain that in cultures where time is seen as Sequential, planning tends to be thought of in terms of forecasts, and the present and future tend to be seen as causally linked so that the future is capable of being predicted. Chinese responses in the cultural survey, to Trompenaars' question for this dimension, tended to be less Sequential than British or Czech responses, but the difference is not significant (Table 6.1). However, Hampden-Turner and Trompenaars (ibid.) report some misgivings with the circles question in Trompenaars' instrument used for measuring Sequential – Synchronous time orientations, particularly for rapidly developing countries, such as mainland China and the Czech Republic. They therefore use another test to identify the extent that time horizons for past, present and future overlap. They found mainland Chinese culture to be the third most Synchronous after Hong Kong and Korea, and UK culture to be 17<sup>th</sup> most Synchronous, or 8<sup>th</sup> most Sequential, among cultures of 24 countries (ibid., page 209).

It might be thought that the long-term and short-term orientations of Confucian Dynamism might be associated with attitudes to planning. Hofstede and Bond (1988; Hofstede, 1991) argue that the long term orientation of this cultural dimension is more consistent than the short term orientation to entrepreneurship. However, they do not appear to link their cultural dimension to planning or management control.

## **12.7 Relating the findings on systems logic to empirical research**

### **12.7.1 Long term planning**

Several cross-national empirical studies have inquired into preferences for short or long term planning horizons and control. Daley et al. (1985) found that Japanese, compared to US, controllers and managers think that long range plans for 3 or more years are more valuable than short range plans. However, Ueno (Ueno and Sekaran, 1992; Ueno and Wu, 1993) found no significant difference between US and Japanese companies in the importance of long range planning over 3 or more years.

Harrison et al. (1994) found greater emphasis by Singaporean and Hong Kong managers, than by Australian and US managers, on long term planning, and greater emphasis by Australian and US managers on short term planning. However, they do not report what time scales they used in their instrument to differentiate long from short term. Their finding supported their hypothesis which was based on cultural dimensions of Individualism and Confucian Dynamism. This is not inconsistent with the findings here of mainland Chinese emphasis on broad long term opportunities, bearing in mind of course the caution against expecting there necessarily to be a single constellation of Chinese values (Bond, 1996). However, the findings here add an important rider, at least for mainland Chinese managers, that there may be low emphasis on detailed planning of the processes to achieve these long term opportunities.

### **12.7.2 Overall concept of control**

Several empirical studies have identified differences between nations in prevalent overall concepts of control. Horovitz (1980) found a German concept of *Kontrolle*, which was different from British ideas of control. *Kontrolle* is concerned with past performance, product profitability and contribution, and with production efficiency. It gives attention to accounting and cost data that follows fiscal accounting rules. Horovitz described a development of thinking from *Kontrolle* to 'controlling', which German managers see as a separate function, and has more emphasis on responsibilities, planning, budgeting, and interpretation of variances in order to assist operations take corrective action. Even with this development, he found that German top managers tend to show greater agreement, than their British counterparts, with

control as ensuring performance is as near as practical to plans. He found French top managers showed the least agreement with this view of control. He also found that both German and French top managers tend to see control as policing operations, with which their British counterparts have low agreement. In contrast, he found that British top managers have higher agreement than German or French top managers, with control as motivation, assisting bosses evaluate subordinates' performance for rewards and promotion.

Kreder and Zeller (1988) make a rather different comparison between German and US concepts of control, which may to some extent reflect changes in German thinking that were described as continuing in Horovitz' (1980) study. Kreder and Zeller found a German concept of control that they described in a 'behavioral model'. This emphasises decentralised, participative, direct interpersonal and socio-emotional types of control. They contrast this with a US 'systems model' of control, in which divisions or departments are seen as self controlling subsystems within an integrated system characterised by centralised task-orientated control, and by indirect control through regulations, plans and programmes.

Findings here of a characteristic Chinese concept of control contrasted to British and Czech concepts of control, does not fit the comparisons made by either Horovitz (1980) or Kreder and Zeller (1988). Both Chinese and Czech control concepts were found here to have a greater 'policing' feel, for example ensuring that staff are reliable, than British concepts that tend to be more consistent with empowerment. Yet Chinese control appears to be the least interested in feedback information on past events. While British and Czech control concepts are generally more consistent with a systems or process approach, and Chinese concepts with a personal and attitudes approach, the socio-emotional aspects of control are clearly important to managers from all 3 countries. This analysis of control concepts, which builds upon what emerges from the case study data rather than upon prior theory, appears to have explored new avenues of inquiry.

## **12.8 Conclusions on systems logic**

Findings from this key category of systems logic show that mainland Chinese managers tend to gain relatively little control assurance from detailed or long term plans. They tend to be more concerned about opportunities and pragmatic solutions

than the processes for achieving them. Greater mainland Chinese reliance on people and their attitudes than on control processes was also identified. In contrast, British and Czech managers seemed to focus their control assurance on control processes, that is on the means to ensure achievement of objectives. They seemed to seek more control assurance that these processes work, than assurance from flexible positioning and opportunities for new objectives.

These different perspectives were related to cultural dimensions of Sequential or Synchronous time orientations, Specific – Diffuse and Universalist – Particularist. Philosophic traditions, education systems and market conditions were also identified as contextual factors. Some support was found in existing literature for these findings and contextual factors. Empirical cross-national research into management control indicates different cultural attitudes to long term planning and different overall conceptions of management control, such as indicated by these findings for systems logic. These findings extend the aspects of planning and overall control concepts examined by these prior studies. There is however little overlap between findings of this and the prior studies, and hence no scope for corroboration, apart from the possibility that there may be cultural differences in perceptions.

## CHAPTER 13.

### CORROBORATING FINDINGS WITH QUANTITATIVE TESTS

The selective coding findings described so far in this dissertation were generated by qualitative analysis of patterns that emerged from data gathered in the field. This chapter seeks to corroborate these findings with statistical or other quantitative tests.

The first section of this chapter is concerned with whether each axial respondent or interviewee's perception of management control was unique. The researcher's feel for the data gained during qualitative analysis was that no two people interviewed had the same view of management control. This is demonstrated here quantitatively for axial respondents and other interviewees who gave their views on a sufficiently wide range of categories for their views to be compared.

The study has focused on the patterns that appeared to relate to the countries that managers came from. The second section describes non-parametric statistical tests to check whether alternative explanations to managers' country of upbringing could explain these patterns. The third section then uses non-parametric statistics to test if these patterns relate to particular cultural dimensions that were identified in the data of the study or identified from cultural theory. Such relationships with cultural dimensions may indicate explanations for patterns in perceptions of management control.

#### **13.1 *Unique perceptions of management control***

##### ***13.1.1 The technique***

A simple technique was developed to demonstrate whether the perceptions of management control were unique<sup>88</sup>. This uses the ordinal score for an axial respondent or other interviewee's view on each category. Each score was measured on a Likert intensity scale, whether it were for an axial coding category (see 6.5 *Patterns in perceptions of management control*) or for a selective coding category (see 4.3.8 *Selective coding – Depth of support and alternative explanations*, also footnote 46 in 7.4.1 *Trust and relationships*). Scores for categories may be concatenated to give a

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<sup>88</sup> This simple technique was inspired by conversation with Margaret Milner, at the University of Glasgow.

string, or concatenated number, for each interviewee. This string of scores may be sorted in, say, ascending numeric order. Two interviewees with identical scores on all categories would appear as two identical strings or numbers that are adjacent in the sorted sequence. If no two adjacent strings are identical, then each interviewee's score across all categories analysed is unique. This therefore demonstrates whether or not perceptions of management control given by any two interviewees were scored as identical; that is, not unique in terms of what categories they referred to and how important they thought each category to be for providing control assurance. This demonstration of uniqueness is irrespective of the order in which scores for the categories are placed in the string.

Care, in selecting the order in which scores for categories are placed in the string, may however illustrate to what extent perceptions fall into demographic clusters of interviewees. For example, if scores that are powerful in separating perceptions between national cultures are placed at the left hand end of the string, sorting interviewees by their string of axial coding scores, as if this were a concatenated number, would tend to list interviewees by national culture. It may also demonstrate the extent that there is some overlap between perceptions of interviewees from different cultures (Au, 1999).

Of course this technique uses the effect of each category on its own to cluster interviewees. It does not recognise the potential interaction between two or more categories. It may be tempting to use statistical cluster or factor analysis to identify interactions of categories in separating the views of interviewees from different countries. This has not been done for two reasons. Firstly there were concerns of method. Although factor analysis of ordinal data is possible (Rummel, 1970; Cattell, 1978), it is difficult because of scaling and non-linearity problems, and because assumptions of normal distributions would probably have to be relaxed. Furthermore, missing data in the selective coding would severely restrict which categories could be included in the factor analysis. Secondly, analysis of clusters may go beyond what is essential to an exploratory study. Analysis of clusters of categories of control perceptions, or clusters of cultural and other contextual factors, might be addressed in future research, although this might face other methodological concerns (*15.1.1 Methodology and method – Interaction between factors*). There was also concern that clusters of categories or factors appearing from statistical analysis might not necessarily

represent associations that are meaningful to either the managers who were the subject of this research or practitioners among the research audience. That is to say, it might not meet the criteria of purpose and perspectives (3.5 1. *Purpose and perspectives*).

### 13.1.2 Unique perceptions in the axial coding

The technique described above was applied to the axial coding categories for the 30 axial respondents. The string of category scores for each axial respondent is shown in a row in Table 13.1. Each column shows scores for each axial coding category.

Columns are sequenced in Table 13.1 according to how powerful they appear to be in distinguishing perceptions between national cultures. For this, significance of differences from a Mann-Whitney test were used, in which the probability ('p' value) was tested for the null hypothesis that perceptions for a category came from a single homogenous population. The Mann-Whitney test was run 3 times, once each to compare British to Czech, British to Chinese, and Czech to Chinese axial respondents. This was done to identify the lowest 'p' value for each category between any 2 national cultures, where a low 'p' value indicates confidence that perceptions are distinguished between these two cultures. This minimum 'p' value is shown in the bottom row of Table 13.1.

Each row in Table 13.1, with a string of scores for an axial respondent, can be seen to be unique. If each row is viewed as a number, rows can be seen to be sorted in ascending value. The most left hand digit where each row differs from its predecessor is identified by a bold digit. Further variety in these unique views is therefore shown by differences between digits to the right of those in bold print.

Because of the sequence in which categories have been placed in Table 13.1, axial respondents begin to cluster by national culture. The top of the Table is populated mostly by Chinese axial respondents, the middle by Czech and the bottom by British. However, it also shows considerable overlap, with a Czech axial respondent appearing fifth from the top of the Table among Chinese axial respondents, and another Czech appearing sixth from the bottom among British axial respondents.

Country of upbringing	Procedures	Accountability	Monitoring	Teams	Contract	Profit	Org. Structure & roles	Working capital	Intervention	People	Authorities	Control environment	Responsibility	Segregation of duties	Strategy & resources	Information	Risk	Markets	Motivation	Communication	External relations	Staff management	Cash flow
Chinese	0	0	0	0	0	0	0	2	0	2	0	0	2	0	0	3	2	2	0	0	0	0	2
Chinese	0	0	0	0	0	2	0	3	2	0	2	0	0	2	0	3	3	2	0	0	2	0	2
Chinese	0	0	2	0	0	0	0	2	1	2	2	2	2	2	0	2	2	2	0	3	0	0	2
Chinese	0	0	2	0	0	2	2	2	1	0	2	0	0	0	0	3	2	2	3	2	2	0	2
Czech	0	0	2	0	2	2	0	0	0	2	0	2	1	2	0	3	2	2	2	2	2	0	2
Chinese	0	0	2	0	2	2	2	0	2	0	2	0	2	0	0	2	2	2	2	0	2	2	2
Chinese	0	0	2	2	0	0	0	0	0	2	0	3	3	0	2	2	2	2	0	2	0	0	2
Czech	0	0	3	0	2	2	0	0	2	3	0	2	3	3	0	3	2	2	0	0	0	2	2
Czech	0	1	2	2	2	2	0	2	2	3	0	0	2	0	2	2	2	2	2	0	2	0	2
British	0	2	4	2	0	2	0	0	2	2	2	2	2	0	0	2	2	2	2	2	0	2	2
Chinese	1	0	0	0	0	2	0	0	0	3	1	0	1	0	2	2	2	2	2	2	2	2	2
Czech	1	0	1	2	0	2	0	0	0	3	0	0	2	0	0	2	2	2	2	0	2	0	2
Chinese	2	0	0	0	0	2	0	0	0	3	2	3	2	0	0	2	3	2	2	0	2	2	2
Chinese	2	0	0	0	0	2	0	2	0	2	0	0	2	0	3	3	2	2	0	3	2	2	2
British	2	0	0	2	0	2	2	0	0	2	2	0	0	0	0	2	2	2	2	3	0	2	0
Czech	2	0	2	0	2	0	2	2	2	3	0	2	2	2	0	2	0	2	0	2	0	2	2
Czech	2	0	2	0	2	2	0	0	2	2	2	2	2	2	2	2	2	2	2	0	0	0	2
Czech	2	0	2	0	2	2	0	2	2	2	0	2	2	1	2	2	2	2	0	0	2	0	2
Czech	2	0	2	2	0	2	0	0	2	0	2	3	2	0	0	2	2	2	2	2	0	0	2
Czech	2	0	2	2	0	2	0	0	2	3	2	2	2	0	2	3	2	2	3	3	2	0	2
British	2	0	2	2	0	2	3	0	2	0	2	2	2	2	2	2	2	2	0	0	0	2	2
British	2	0	2	2	2	2	2	2	0	3	0	3	3	0	0	3	2	2	0	0	2	0	2
British	2	2	0	0	0	2	2	0	0	3	0	0	0	2	0	3	2	2	2	0	2	0	2
British	2	2	2	0	0	2	0	0	2	2	2	3	0	0	0	2	2	2	0	0	2	0	2
Czech	2	2	2	0	0	2	2	2	0	3	0	0	3	0	3	2	3	2	2	0	0	2	2
British	2	2	2	0	2	2	0	0	2	3	0	2	2	2	2	2	2	2	2	0	2	0	2
British	2	2	4	0	2	2	0	0	2	0	0	2	2	0	2	4	2	0	2	1	2	0	3
British	2	3	2	2	0	4	2	1	2	3	2	2	2	0	0	4	3	2	2	0	0	2	3
British	3	0	3	2	0	2	3	0	2	2	3	2	2	0	0	4	3	2	1	2	3	2	2
British	3	2	2	3	2	2	2	0	2	2	3	2	2	2	0	2	2	2	0	2	0	0	2
Minimum 'p' value	0.003	0.004	0.017	0.019	0.032	0.034	0.038	0.053	0.064	0.088	0.091	0.142	0.218	0.233	0.248	0.290	0.301	0.340	0.367	0.444	0.475	0.477	0.563

**Table 13.1: Axial coding scores sorted to demonstrate uniqueness of axial respondent's perceptions<sup>89</sup>**

<sup>89</sup> For this analysis, coding was as follows: 0 - no mention of a category, 1 - some reference to a category by the axial respondent in their description of a control element, 2 - mention of a control as important to providing control assurance and which corresponds to a category, 3 - described as very or most important to control assurance, 4 - described as essential or a prerequisite to control assurance.

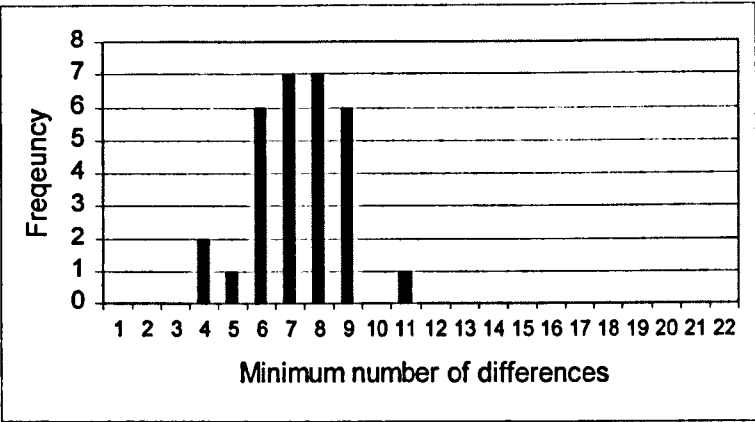
Table 13.1 however only illustrates the existence of uniqueness, not the extent of differences between perceptions in the axial coding. One might ask: how unique would a perception be if there were only a small difference from another manager's perception? The number of categories for which scores between two axial respondents differ may be taken as a crude indicator of the extent of differences between their perceptions. Each axial respondent's perception may then be compared to those of other axial respondents to find with whom there is the least difference. The number of categories that differ from the most similar perception then gives some indication of how unique is this axial respondent's perception. For example, according to this indicator, the axial respondent on the 1<sup>st</sup> row of Table 13.1 is most similar to the axial respondent on the 14<sup>th</sup> preceding row, because there are only 6 categories for which their scores differ. The comparison is illustrated in Table 13.2, in which categories with different scores between the 1<sup>st</sup> and 14<sup>th</sup> axial respondents are shown in bold:

Country of upbringing	Procedures	Accountability	Monitoring	Teams	Contract	Profit	Org. Structure & roles	Working capital	Intervention	People	Authorities	Control environment	Responsibility	Segregation of duties	Strategy & resources	Information	Risk	Markets	Motivation	Communication	External relations	Staff management	Cash flow
Chinese	0	0	0	0	0	0	0	2	0	2	0	0	2	0	0	3	2	2	0	0	0	0	2
Chinese	2	0	0	0	0	2	0	2	0	2	0	0	2	0	3	3	2	2	0	3	2	2	2

**Table 13.2: Example of a match of a perception with its most similar perception**

This search for the most similar perception has been done for all 30 axial respondents. The minimum number of categories by which each axial respondent's perception differed from its most similar perception was noted as an indicator of how unique that axial respondent was in their perception. The frequency of these minimum differences is illustrated in Figure 13.1.

It shows that the extent of differences between each axial respondent's perception and his or her most similar perception is no smaller than differences on 4 categories and has a median of 7. It confirms that the extent of differences between axial respondents in their perceptions scored in the axial coding is in no instance trivial.



**Figure 13.1: Frequency of minimum number of differences between perceptions**

13.1.3 Unique perceptions in the selective coding

Analysis of unique perceptions has been done so far in terms of the axial coding. Whether interviewees’ perceptions are unique in the selective coding categories is however more relevant to the substantive theory. Analysis of uniqueness in the selective coding is more difficult because no one gave views that were included in all selective coding categories. Whereas axial coding was based on general discussion with each axial respondent of what provides control assurance for credit control, selective coding inquired into differences of views for specific key categories. Therefore, while omission of an axial category may be interpreted as the axial respondent seeing it as insufficiently important to credit control assurance to warrant mention, omission of a selective coding category very likely represents omission by the researcher in not asking the interviewee about it. Uniqueness analysis has therefore been restricted to the selective coding categories for which most views were given, and to the axial respondents and other interviewees who gave views on these categories. Only 27 out of the 59 interviewees<sup>90</sup> included in the selective coding could be included in this analysis.

<sup>90</sup> 30 axial respondents plus 29 other interviewees.

Country of upbringing	Accountability	Organisational structure: Teams	Organisational. Structure: Hierarchy	Regulations & procedures	Control focus on: Process	Control focus on: Opportunities	Basis for procedures: feeling	Procedures contribute to control assurance	Control focus on: People & relationships	Organisational. structure: Roles	Basis for procedures: Reason & understanding
Czech	-1.0	0.0	0.4	0.7	0.5	0.0	0.0	0.0	0.5	0.4	0.4
Chinese	-1.0	0.0	0.6	<b>0.1</b>	1.0	0.0	0.0	0.0	0.0	0.4	0.0
Chinese	-1.0	0.0	<b>1.0</b>	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0
Chinese	-1.0	0.0	1.0	0.2	<b>0.5</b>	0.2	1.0	0.0	0.3	0.0	0.0
Chinese	-1.0	0.0	1.0	<b>0.5</b>	0.0	0.0	0.2	0.4	1.0	0.0	0.4
Chinese	-1.0	0.0	1.0	<b>1.0</b>	0.5	0.0	0.5	0.0	0.5	0.0	0.5
Czech	-1.0	<b>0.1</b>	0.0	0.6	0.6	0.0	0.0	0.5	0.4	0.9	0.5
British	-1.0	0.3	0.0	<b>1.0</b>	1.0	0.0	0.0	1.0	0.0	0.5	0.0
Czech	-1.0	0.3	<b>0.3</b>	0.5	0.8	0.0	0.0	0.0	0.3	0.3	0.3
Czech	-1.0	0.3	0.4	0.5	1.0	0.0	0.0	0.0	<b>0.0</b>	0.3	0.6
Czech	-1.0	<b>1.0</b>	0.0	0.7	0.5	0.0	0.0	0.0	0.5	0.0	0.0
Czech	-1.0	1.0	0.0	<b>1.0</b>	0.8	0.0	0.0	0.6	0.2	0.0	0.2
Chinese	<b>-0.4</b>	0.0	0.0	0.4	0.0	0.0	0.0	0.3	1.0	1.0	0.4
Czech	-0.4	<b>0.3</b>	0.3	1.0	0.7	0.0	0.0	0.0	0.3	0.3	0.7
Czech	-0.2	0.5	<b>0.0</b>	1.0	0.5	0.0	0.0	0.0	0.5	0.0	1.0
Chinese	0.0	<b>0.2</b>	0.5	0.3	0.0	1.0	0.4	0.0	0.0	0.3	0.0
Czech	0.0	<b>0.6</b>	0.4	0.8	0.0	0.0	0.0	0.2	1.0	0.0	0.0
British	0.4	<b>0.0</b>	0.0	0.7	0.7	0.0	0.1	0.3	0.3	1.0	0.2
British	0.6	<b>0.5</b>	0.0	1.0	0.7	0.0	0.0	1.0	0.3	0.5	0.0
British	1.0	<b>0.2</b>	0.4	1.0	0.7	0.0	0.0	0.0	0.3	0.4	0.3
British	1.0	0.3	<b>0.0</b>	1.0	1.0	0.0	0.0	1.0	0.0	0.7	0.0
British	1.0	0.3	<b>0.3</b>	1.0	1.0	0.0	0.0	1.0	0.0	0.3	0.0
British	1.0	0.4	0.2	1.0	0.8	0.0	0.0	1.0	0.2	0.4	0.0
British	1.0	0.5	0.0	<b>0.5</b>	0.6	0.0	0.0	0.0	0.4	0.5	1.0
British	1.0	0.5	0.0	0.7	<b>1.0</b>	0.0	0.0	0.3	0.0	0.5	0.7
British	1.0	0.7	0.0	0.5	0.8	0.1	0.0	<b>1.0</b>	0.1	0.2	0.0
British	1.0	<b>1.0</b>	0.0	1.0	0.5	0.0	0.0	1.0	0.5	0.0	0.0
Minimum 'p' value	0.0000	0.0000	0.0000	0.0002	0.0003	0.0011	0.0023	0.0027	0.0035	0.0114	0.0117

**Table 13.3: Selective coding scores sorted to demonstrate uniqueness of perceptions<sup>91</sup>**

<sup>91</sup> These scores are as included in analysis of weights of opinion for the selective coding.

Scores for the perceptions of these interviewees against these selective coding categories are shown in Table 13.3. It uses the same technique as used for demonstrating uniqueness of axial coding categories, illustrated in Table 13.1.

The most left hand digit where each row differs from its predecessor is identified by a bold digit; these show only differences of at least 0.3<sup>92</sup> so as not to indicate greater accuracy than the scoring method may support. These bold digits show that perceptions of interviewees could be distinguished in most cases within the first 4 categories from the left in Table 13.3. It shows that the views of the 5<sup>th</sup> from bottom interviewee in the Table could not be distinguished from those of the 6<sup>th</sup> from bottom interviewee for these categories by an appreciable difference in score. As it happens, scores for the views of these 2 interviewees are appreciably different for 4 selective coding categories that are not shown in the Table<sup>93</sup>. This illustrates that identifying the extent of differences between interviewees' perceptions is less meaningful for the selective than axial coding categories, because so many selective coding categories had to be omitted from the analysis.

Because columns for categories have been sequenced in Table 13.3 by the power with which categories distinguish views between managers from different countries, it illustrates clustering and overlap of views between managers from the 3 countries. The top of the Table is populated mostly by Chinese interviewees, the middle by Czech and the bottom by British. There are also exceptions to this pattern such as the Czech interviewee at the head of the Table, and the lonely British interviewee 8 from the top of the table.

### **13.2 Testing alternative explanations to country of upbringing**

The selective coding findings were identified as relating to country factors, such as national culture or differences in institutions between the countries. However,

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<sup>92</sup> The 0.3 was rounded up from 0.25 for columns with a range of 0 to +1. Because the first column has a wider range of -1 to +1, differences of at least 0.5 were sought in this column.

<sup>93</sup> 'Appreciable difference' was indicated by difference in scores of at least 0.25 for scales 0 to 1, or at least 0.5 for scales -1 to +1. Because both of these interviewees were axial respondents, it was also seen that they differed in their perceptions of credit control.

alternative explanations were also checked as ‘negative case analysis’ in order to challenge the emerging theory (see 4.3.8 *Selective coding - Depth of support and alternative explanations*).

### 13.2.1 Qualitative negative case analysis

Negative case analysis started by looking for instances where emergent hypotheses were not supported. In some cases, negative case analysis led to modification of emerging hypotheses in order to reflect different contextual factors. This increased the conceptual density and explanatory power of the grounded theory (Henwood and Pigeon, 1992). An example was reluctance to accept responsibility, which emerged first of all as a mainland Chinese trait (8.2 *Responsibility*). This was explained as arising from, firstly, fear of losing face and the strong burden of responsibility felt by mainland Chinese people, secondly less separation by them of work and home life so that concerns at work are more likely to be taken home, and thirdly Chinese comfort zones. However, instances of Czech reluctance to accept responsibility were then identified. Inquiry into these revealed different explanations of attitudes held over from the previous Communist regime before 1989; and responsibility appeared to mean something different to Czech people than it did to mainland Chinese people. Finally, on returning to the UK, inquiry led to examples of British reluctance to accept responsibility. These were explained as arising from uncertainty. It can thus be seen how negative case analysis, into the initial hypothesis of reluctance to accept responsibility being a Chinese trait, extended the theory both in terms of who might be reluctant and of reasons for their reluctance.

Weights of opinion were analysed for interviewees working for CoX and CoY as well as between managers from different countries. This analysis checked the alternative hypothesis that perhaps apparent differences between managers from different countries actually arose from corporate factors. Absence of major differences between weights of opinion between the 2 MNCs helped to show that differences between corporate cultures, or between their management control systems, were not explanations for patterns of perceptions.

### 13.2.2 Non-parametric statistical tests

Simple comparison of the magnitude of differences in weights of opinion was taken further in statistical tests on the Likert scale intensity scores of interviewees' opinions, from which weights of opinion had been calculated. This allowed statistical significance of differences in patterns of perceptions to be calculated. Results of these tests are summarised in Table 13.4.

These statistical tests were done for selective coding findings of differences between interviewees from different countries, where intensity scores were gathered from a sufficient range of interviewees. It was done to check significance of patterns between the 3 locations, 6 sites, 3 functions, 4 levels of seniority and both genders, as well as between countries of upbringing and MNCs. The choice of the Kruskal-Wallis and Mann-Whitney non-parametric tests was explained in Chapter 4 (4.3.8 *Selective coding – Corroborating selective coding hypotheses with statistical tests*).

*Differences by 'national' cultural grouping, i.e. country of upbringing:*

Table 13.4 shows that the difference in perceptions between interviewees from different countries ('National' cultural grouping) is significant ( $p < 0.1$ ) for all of these categories used in the findings, apart from 'Self interest, mutual interest or mutual reliance'. Although not significant ( $p = 0.178$ ), this category was included in the findings because qualitative analysis showed it to be consistent with perceptions of reliance on contracts or relationships and with explanations for a Czech tendency towards low trust (7.4.1 *Trust and relationships*). It was also consistent with a tendency for Czech loyalty to oneself (9.4 *Loyalty – Czech views*). This test therefore corroborates the qualitative findings of differences in control perceptions, apart from this one category, between managers from different countries. That is to say, there is a less than a 10% likelihood that the patterns, identified as being between managers from different countries, arose by chance or from some factors others than the country they come from. In many cases, this likelihood is less than 1%, and in 12 cases less than 0.1% ( $p = 0.000$  in Table 13.4). Because no claim is made that the interviewees are representative of any wider population, this statistical significance says nothing about real world populations (4.3.7 *Axial coding - Statistical test of axial coding patterns*).

Categories of control perceptions	N	Cultural groupings						
		National	MNCs	Locations	Sites	Functions	Seniority	Gender
<b>Business relations with external parties (Chapter 7)</b>								
Contract or relationship	34	0.009		0.040			0.047	
Relationship:								
- Self interest, mutual interest or mutual reliance	29							
- Instrumental or based on feeling	16	0.001		0.015	0.036		0.061	
<b>Obligations (Chapter 8)</b>								
Responsibility: guilt or shame	13	0.016					0.045	0.071
Accountability or responsibility	40	0.000		0.001	0.003		0.067	
<b>Internal relations (Chapter 9)</b>								
Contribution or reliability	28	0.000		0.079	0.082			
Coach and develop staff	24	0.015		0.037				
Instruct staff	24	0.064						
Protect and look after staff	24	0.062	0.038	0.060	0.040	0.087		
Coach - instruct - look after staff	24	0.018		0.031	0.065			
Instruct - coach - look after staff	24	0.070			0.072			
Coach - look after - instruct staff	24	0.048						
Loyal to self	24	0.057		0.004	0.034			
Loyal to boss	24	0.018		0.005	0.051			
Structure: teams	43	0.000		0.000	0.001			
Structure: roles	43	0.025						
Structure: hierarchy	43	0.000		0.029	0.043			
Hierarchy: paternal	19	0.000	0.062	0.016	0.043			
Hierarchy: ability and or charisma	19	0.000		0.001	0.017			
Hierarchy: organisational authority	19	0.013				0.056		
<b>Information (Chapter 10)</b>								
Truth: Absolute or relative	15	0.001		0.006	0.070			
Information: transparency or secrecy	38	0.000		0.001	0.002			
<b>Law, rules &amp; procedures (Chapter 11)</b>								
Rule of law	28	0.000		0.000	0.004			
Morality: individual or communal	30	0.000		0.001	0.017			
Legal process for resolving disputes	17	0.000		0.000	0.013			
Procedures & internal regulations: importance	44	0.000	0.070	0.046	0.017			
Basis for acceptability of procedures:								
- Feeling	40	0.002		0.003	0.047			
- Reason & understanding	40	0.027		0.028				
- actually like procedures	40	0.003		0.010	0.074			
<b>Systems logic (Chapter 12)</b>								
Control focus on: - Opportunities	48	0.001		0.106				
- People & relationships	48	0.019		0.012	0.085			
- Process	48	0.000		0.022	0.057			

**Table 13.4: Significance of differences in control perceptions<sup>94</sup>**

<sup>94</sup> Numbers within this table represent the statistical probability that the opinions come from a single homogenous population, not from different cultural groups. These are shown only where

*Differences by MNC:*

Table 13.4 shows that there were few categories where there was a significant likelihood of some effect from differences between the two MNCs. Categories where significant differences are shown ('Protect and look after staff', 'Hierarchy: paternal' and 'Procedures & internal regulations: importance') were examined above (9.3.3 *Chinese views*; 9.8.1 *Chinese views*; 11.4.2 *Internal procedures*). It was shown that when controlling for MNC for these categories that, while there were corporate effects, corporate effects did not create apparent difference by country of upbringing.

*Differences by location, i.e. UK, Prague and Beijing:*

It was explained how expatriates were included among interviewees in order to check whether apparent patterns between managers from different countries actually arose from factors of the location rather than national culture (4.3.8 *Selective coding - Depth of support and alternative explanations*). Such location effects might have been markets, local institutions or other local social factors that affect how business is done and how management control may be maintained.

Grouping expatriate managers' views on how they gain control assurance with views of local managers gives a location analysis of control perceptions. This is shown in the 5<sup>th</sup> column of Table 13.4, headed 'Locations'. This column therefore differs from that for differences by country of upbringing (headed 'National'), because in the latter views of expatriate managers' on how they gain control assurance are grouped with their compatriots.

Views of expatriate managers may tend to differ from those of their compatriots working in their home country for a number of reasons, besides the factors of their working location. There may be a random effect from selecting a small number of expatriates for this study. The MNC's human resource systems may have selected for expatriate postings managers who were untypical, either for their experience, approach

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they are significant at  $p < 0.1$ . The Kruskal-Wallis test was used for all cultural groupings, apart from 'MNCs' and 'Gender' where the Mann-Whitney test was used because here the data fell into only 2 groups. The strongest pattern for each property is indicated by showing the probability in bold.

to management control, or for being outspoken. These selection effects, whether for the study or the expatriate posting, might produce patterns of expatriate views that fall either closer or further away from local views relative to those of their compatriots at home. Location factors may also be expected to shift expatriate views. Expatriates may shift their views towards those typical for the location, as they appreciate the local points of view and adopt them as appropriate in the local setting. They may go further in adopting local cultural values; that is to say, they may 'go native'. Alternatively, expatriates may shift their views further away from the local views while living and working abroad. They may stereotype differences between their own and the local culture, perhaps through a 'mote-beam' mechanism of falsely believing they are free of characteristics they identify with another culture (Stenning, 1979). Hofstede (1991, page 211) notes "a tendency among expatriates to idealize what one remembers from home".

These factors may interact. Accordingly, differences between patterns of control perceptions by country of upbringing and by location may represent a complex interplay of factors. Table 13.5 compares the significance of these patterns to the numbers of expatriate managers whose views are included in these patterns. It also shows whether expatriate views tended to shift towards or away from the local views relative to the average weight of opinion for their compatriots in their home country.

Table 13.5 shows that apparent differences between local and national patterns of opinion arise from opinions of a very small number of expatriates. For some categories, where there is a significant difference by location, this falls to as low as 2 expatriates (e.g. for 'Basis for acceptability of procedures'), or even 1 expatriate ('Legal process for resolving disputes'). It can be seen that 2 categories where patterns by location are more significant than those by country of upbringing ('Loyalty to self' and 'Loyalty to boss'), arose from the views of only 3 expatriates. Two of these expatriates gave views that were strongly aligned with those of their local colleagues rather than of their compatriots. This may reflect local factors, such as the local job market for expatriates, the expatriates 'going native' in adopting attitudes and values prevalent in the location, or a random effect of these individuals holding untypical views. Perhaps not too much should be read into these differences, which arose from views of 2 expatriates and was not reflected by the third.

Categories of control perceptions	N	Expatriates	Cultural groupings		Expatriate views shifted	
			National	Locations	Towards local	Away from local
Business relations with external parties (Chapter 7)						
Contract or relationship	34	4	0.009	0.040		A
Relationship:						
- Self interest, mutual interest or mutual reliance	29	4			T	
- Instrumental or based on feeling	16	3	0.001	0.015		
Obligations (Chapter 8)						
Responsibility: guilt or shame	13	1	0.016			
Accountability or responsibility	40	6	0.000	0.001		
Internal relations (Chapter 9)						
Contribution or reliability	28	6	0.000	0.079		A
Coach and develop staff	24	3	0.015	0.037	T	
Instruct staff	24	3	0.064			
Protect and look after staff	24	3	0.062	0.060		
Coach - instruct - look after staff	24	3	0.018	0.031	T	
Instruct - coach - look after staff	24	3	0.070			
Coach - look after - instruct staff	24	3	0.048		T	
Loyal to self	24	3	0.057	0.004	T	
Loyal to boss	24	3	0.018	0.005	T	
Structure: teams	43	7	0.000	0.000		A
Structure: roles	43	7	0.025			A
Structure: hierarchy	43	7	0.000	0.029		A
Hierarchy: paternal	19	3	0.000	0.016		A
Hierarchy: ability and or charisma	19	3	0.000	0.001		
Hierarchy: organisational authority	19	3	0.013		T	
Information (Chapter 10)						
Truth: Absolute or relative	15	3	0.001	0.006		
Information: transparency or secrecy	38	3	0.000	0.001		A
Law, rules & procedures (Chapter 11)						
Rule of law	28	2	0.000	0.000		A
Morality: individual or communal	30	8	0.000	0.001		
Legal process for resolving disputes	17	1	0.000	0.000		
Procedures & internal regulations: importance	44	5	0.000	0.046	T	
Basis for acceptability of procedures:						
- Feeling	40	2	0.002	0.003		A
- Reason & understanding	40	2	0.027	0.028		A
- actually like procedures	40	2	0.003	0.010	T	
Systems logic (Chapter 12)						
Control focus on: - Opportunities	48	9	0.001	0.106		A
- People & relationships	48	9	0.019	0.012	T	
- Process	48	9	0.000	0.022		A

**Table 13.5: Comparison of differences by location and by national groupings<sup>95</sup>**

<sup>95</sup> N is the total number of interviewees for the category. 'Expatriates' is the number of expatriates, included within the total interviewees N, whose views on how they gain control

The slightly more significant pattern by location than by country of upbringing for 'Control Focus on People and Relationships' reflected expatriate views, that on balance, showed tendencies towards rather than away from local views in Beijing, Prague and the UK. This gives some small evidence that the apparent pattern by national culture may largely result from location effects in all 3 locations. However, as will be seen from Table 13.8, the explanation of national culture is supported by a correlation between this category and Diffuse culture.

Across all of the categories, scores for expatriate views tended to shift about as far towards as away from local views. However, this should be treated with extreme caution because it is the result of adding ordinal data for weights of opinion across all selective coding categories. The number of expatriate views on categories that shifted away from the local weight of opinion, relative to their compatriots, at 61 exceeded the number at 38 that shifted towards weight of opinion. This provides some small evidence that differences identified as arising from country of upbringing tended not to arise from location effects.

In conclusion, statistical analysis by location has not succeeded in adding much corroboration to the findings. This is because insufficient data has been gathered to unravel the complexities involved. It has however illustrated what some of these complexities may be. Nevertheless, qualitative analysis of views offered by expatriates helped identify some of the contextual factors. They also contributed insight into local attitudes to management control and control assurance.

#### *Differences by sites:*

The 6 sites of the 2 MNCs in the 3 locations were included in the analysis in case factors relating to the sites appeared to create more significant patterns of opinions than country of upbringing, location or employing MNC. These site factors might have arisen, for example, from local organisational culture, the particular type of business

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assurance are included in the analysis for the category. Columns for national and location cultural groupings show significance of differences per Table 13.4 for ease of comparison. Columns with 'T' or 'A' show whether the views of these expatriates tended to shift towards or away from average views of local interviewees in the location.

carried out at a site, markets, or local regulation affecting one MNC differently from the other in a location.

Table 13.4 shows that significant patterns by site were apparent for many categories. Generally these patterns were less significant than those by country of upbringing shown in the column headed 'National'. Where this is so, one might expect site patterns to appear merely from the significant differences by country of upbringing and any differences between the 2 MNCs. For 2 categories ('Protect and look after staff', and 'Loyal to self') patterns by site were more significant than patterns by country of upbringing. The first of these appear to arise from more significant corporate factors, which were discussed above (9.3 *Coaching, instructing or looking after subordinates – Chinese views*). The pattern for 'Loyal to self' included views of 2 expatriates working with one of the MNCs, that were aligned more strongly with their colleagues in the site than their compatriots. This appears to reflect a location effect, as there was a more significant difference in views between the 3 locations than between the 6 sites.

#### *Differences by functions:*

Significant patterns by function arose for 2 categories. 'Protect and look after staff' and 'Coach - look after - instruct staff' appeared to arise from views being given only by interviewees from CoX, not CoY. Since two of the functions, namely Sales and Finance, are represented by CoX and the third, Service, by CoY, patterns for these two categories appear to arise from the company factors that have been discussed (9.3 *Coaching, instructing or looking after subordinates*).

'Hierarchy: organisational authority' arose because Finance staff gave much stronger views for hierarchy based upon organisational authority than did Sales or Service staff. This appears to reflect responsibility that CoX Finance staff have for maintaining formal financial authority systems.

None of the patterns by function were more significant than the related patterns by country of upbringing.

#### *Differences by level of seniority and gender:*

Table 13.4 shows that 4 categories had significant patterns by level of seniority. None of these were as significant as the related patterns by country of upbringing.

Emergence of a significant pattern by gender came as considerable surprise to the researcher. Perhaps this was because several managers gave the view that there are no differences between the sexes in views on management control. The significant pattern by gender arose in views on whether responsibility involves guilt or shame. Only 13 interviewees gave views on this, of whom 9 were men and 4 women. It is possible that the pattern arose from the small number of women who were selected, or from individuals among these women being outspoken in their views. Because this significant pattern was not identified until after the close of the fieldwork, it was not possible to return to seek opinions from more interviewees or to inquire deeper into why views differed by gender. This pattern is not supported by any other patterns or explanations, and, because it arose from such a small sample, it would be unsafe to read very much into this pattern.

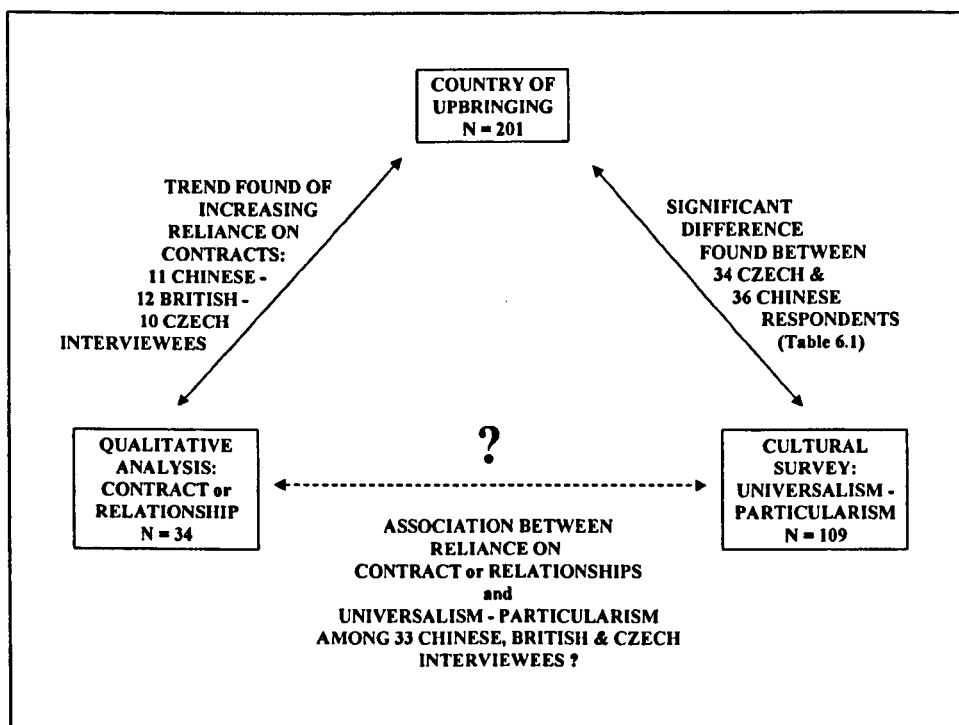
### ***13.3 Testing association with cultural dimensions***

Explanations for different patterns of views on gaining control assurance were sought in cultural and other contextual factors. These were based upon qualitative analysis of explanations offered by interviewees and also then by comparison to cultural theory. Where these explanations indicated cultural dimensions, they were checked to measurements of the dimensions either in the cultural survey done as part of this study or made in previous research. Results of these tests were explained in Chapters 7 to 12.

#### ***13.3.1 The alternative explanation***

These explanations are still in very general terms, referring to characteristic traits of populations. Views of individuals were found here often to depart from what is typical for their culture. Therefore a question remained. Where a pattern of control perceptions, such as relying on contracts or relationships, coincides with a cultural characteristic for their national cultures such as the Universalism – Particularism cultural dimension, which happens to be a plausible explanation for that pattern of perceptions, does the pattern of perceptions result from or manifest that cultural characteristic? Alternatively, are the pattern and cultural characteristic related no more than in describing what is typical for people from the countries; that is to say are they related only through the extraneous variable of country of upbringing? This question posed by the alternative explanation is illustrated in Figure 13.2 for the selective coding

category of reliance on contract or relationship and the cultural dimension of Universalism – Particularism. This Figure poses the question whether it was the managers that favoured contracts who tended to be Universalist, or whether Czech managers who relied on contracts did not necessarily coincide with Czech managers who gave Universalist responses to the cultural survey?



**Figure 13.2: Alternative explanation for reliance on contract or relationships and Universalism - Particularism<sup>96</sup>**

This alternative explanation warranted examining whether individual interviewees holding a particular perception coincided with survey respondents having a cultural characteristic, irrespective of the country they come from. This was done by testing correlations between scores for opinions, by which many of the categories for control perceptions were measured, to the results of the cultural survey. This was possible because a score for each survey respondent was calculated for each cultural dimension measured in the cultural survey. The results of this correlation test are shown in Tables 13.6-8.

<sup>96</sup> The 34 interviewees analysed for the selective coding category of reliance on contract or relationships included one expatriate from Hong Kong working for one of the 2 MNCs. This number therefore differs from the number of mainland Chinese, Czech and British interviewees.

### 13.3.2 The correlation tests

It was explained (4.3.8 *Selective coding – Corroborating selective coding hypotheses with statistical tests*) why the Spearman rank correlation test was used for opinions on control categories of 49 selective coding interviewees who were also survey respondents. However, not all of them gave views for every selective coding category, because not all of them could be asked about all findings that emerged during the fieldwork. The number of interviewees included in the test for each selective coding category is therefore indicated in the column headed 'N' in Tables 13.6-8.

Directional hypotheses for correlation between categories and cultural dimensions were based upon data identified in the field, such as comments by interviewees, or upon cultural theory as described above in chapters 7 to 12 on selective coding findings. They are indicated by a '+' or '-ve' for positive or negative correlation respectively in Tables 13.6-8. It will be remembered (2.5.4 *Problems raised by positivist epistemology*) that existing cultural theory appears to be insufficiently precise to guide cross-national research into management control. Care was therefore taken not to generate hypotheses between patterns of control perceptions and cultural dimensions except where indicated by data gathered in field or specifically posited by cultural theorists.

### 13.3.3 Results of the tests

Categories are included in Tables 13.6-8 only where they are used in the selective coding findings, opinions measured on intensity scales were gathered from a sufficient range of interviewees to run the test, and there were directional hypotheses. The cultural dimensions of Locus of Control by Chance, and orientations to Future, Present and Past, are omitted because no hypotheses were identified for them. High Power Distance is represented by Hierarchy, and Low Power Distance by Egalitarian, in Tables 13.6-8. The cultural dimension of Individualism – Collectivism is omitted from the table because its measurement in the cultural survey was found to provide insufficient construct validity. It is discussed below (13.3.5 *Correlations with Individualism - Collectivism*).

Categories of control perceptions	N	Cultural dimensions							
		Universal Particular	Specific Diffuse	Locus: Internal	Locus: Other people	Achieved Ascribed	Sequential Synch.	Hierarchy Egalitarian	Person Task
Business relations with external parties (Chapter 7)									
Contract or relationship									
Expected correlation		+	+						
Correlation Coefficient		0.081	0.261						
Significance (1-tailed)	33	0.328	0.071 *						
Relationship:									
- Instrumental or based on feeling									
Expected correlation			+					- ve	
Correlation Coefficient			0.372					-0.496	
Significance (1-tailed)	16		0.078 *					0.025 *	
Obligations (Chapter 8)									
Responsibility: guilt or shame									
Expected correlation			+			+			
Correlation Coefficient			0.272			0.155			
Significance (1-tailed)	13		0.184			0.307			
Accountability or responsibility									
Expected correlation			+			+			
Correlation Coefficient			0.243			0.373			
Significance (1-tailed)	35		0.080 *			0.014 *			
Internal relations (Chapter 9)									
Contribution or reliability									
Expected correlation						+		-ve	
Correlation Coefficient						0.347		0.007	
Significance (1-tailed)	27					0.038 *		0.486	
Coach and develop staff									
Expected correlation						+		-ve	
Correlation Coefficient						0.481		0.027	
Significance (1-tailed)	19					0.018 *		0.456	
Instruct staff									
Expected correlation			+						
Correlation Coefficient			-0.220						
Significance (1-tailed)	19		0.183						
Loyal to boss									
Expected correlation			- ve						
Correlation Coefficient			-0.116						
Significance (1-tailed)	21		0.308						

**Table 13.6: Correlations between cultural dimensions and control categories (1)**<sup>97</sup>

<sup>97</sup> \* - significant at level  $p < 0.1$ ; \*\* - significant at level  $p < 0.01$ .

Categories of control perceptions	N	Cultural dimensions							
		Universal Particular	Specific Diffuse	Locus: Internal	Locus: Other people	Achieved Ascribed	Sequential Synch.	Hierarchy Egalitarian	Person Task
Structure: roles									
Expected correlation			+						
Correlation Coefficient			0.497						
Significance (1-tailed)	38		0.00 **						
Structure: hierarchy									
Expected correlation					+	- ve		+	
Correlation Coefficient					0.191	-0.160		-0.028	
Significance (1-tailed)	38				0.125	0.169		0.434	
Hierarchy: paternal									
Expected correlation						-ve		+	
Correlation Coefficient						0.020		0.006	
Significance (1-tailed)	17					0.469		0.491	
Hierarchy: ability and or charisma									
Expected correlation						+		+	
Correlation Coefficient						0.336		-0.115	
Significance (1-tailed)	17					0.093 *		0.330	
Hierarchy: organisational authority									
Expected correlation			+						
Correlation Coefficient			0.552						
Significance (1-tailed)	17		0.011 *						
Information (Chapter 10)									
Truth: Absolute or relative									
Expected correlation		+	+			+		-ve	
Correlation Coefficient		-0.239	0.242			0.661		0.081	
Significance (1-tailed)	7	0.303	0.301			0.053 *		0.432	
Information: transparency or secrecy									
Expected correlation		+	+			+		-ve	
Correlation Coefficient		0.095	0.289			0.653		-0.185	
Significance (1-tailed)	17	0.358	0.130			0.002 **		0.239	
Law, rules & procedures (Chapter 11)									
Rule of law									
Expected correlation		+							
Correlation Coefficient		-0.222							
Significance (1-tailed)	11	0.256							
Legal process for resolving disputes									
Expected correlation		+							
Correlation Coefficient		-0.420							
Significance (1-tailed)	6	0.203							

Table 13.7: Correlations between cultural dimensions and control categories (2)<sup>97</sup>

Categories of control perceptions	N	Cultural dimensions							
		Universal Particular	Specific Diffuse	Locus: Internal	Locus: Other people	Achieved Ascribed	Sequential Synch.	Hierarchy Egalitarian	Person Task
Procedures & internal regulations									
Expected correlation		+	+						
Correlation Coefficient		0.065	0.205						
Significance (1-tailed)	33	0.360	0.126						
Basis for acceptability of procedures:									
- Reason & understanding									
Expected correlation				+	- ve				
Correlation Coefficient				0.316	-0.330				
Significance (1-tailed)	33			0.037 *	0.030 *				
- actually like procedures									
Expected correlation		+	+						
Correlation Coefficient		0.447	0.258						
Significance (1-tailed)	33	0.005 **	0.073 *						
Systems logic (Chapter 12)									
Control focus on: - Opportunities									
Expected correlation		- ve					- ve		
Correlation Coefficient		-0.065					0.338		
Significance (1-tailed)	35	0.354					0.029 *		
- People & relationships									
Expected correlation			- ve		+				+
Correlation Coefficient			-0.312		-0.144				-0.046
Significance (1-tailed)	35		0.034 *		0.205				0.396
- Process									
Expected correlation		+	+				+		- ve
Correlation Coefficient		0.195	0.274				-0.303		0.022
Significance (1-tailed)	35	0.131	0.055 *				0.046 *		0.451

**Table 13.8: Correlations between cultural dimensions and control categories (3) <sup>97</sup>**

Unexpected correlations were also looked for between 13 cultural dimensions and 41 selective coding categories. A 2 tailed level of significance of  $p < 0.0004$  was chosen as being equivalent to a 1 tailed level of significance of  $p < 0.1$  for expected correlations ( $0.1 \times 2 / (13 \times 41) = 0.00037$ ). None were significant at this level; indeed none were more significant than  $p < 0.0025$ .

#### 13.3.4 Explanatory power and construct validity of the cultural dimensions

Curiosity, if not some concern, was raised about measuring cultural dimensions in this cultural survey and seeking to use these as measurements of national culture in order to explain the qualitative findings. First of all, the survey instrument used here was a shortened version of the well tried instrument developed by Trompenaars (1993;

Trompenaars and Hampden-Turner, 1997). Specific concerns had been raised about how well it had measured some cultural dimensions such as Individualism – Collectivism and Locus of Control (6.2.2 *Analysis of survey results*). Secondly, doubts have been raised about basing cross-national research into management control on survey measures of ideational national culture (Lau et al., 1997; Chow et al., 1999b; Harrison and McKinnon, 1999). Thirdly, survey measures were recognised here as very narrow instruments to measure the richness of cultures and as inevitably ignoring what is emic to cultures (2.5.1 *Problems raised by nomothetic methodology*). Fourthly, examination of Tables 13.6-8 indicated that little support for expected association between findings and cultural dimensions appeared for some of these dimensions.

These concerns raised the question of the construct validity of measured cultural dimensions for the cultural traits for which they stand as labels. A cultural trait or characteristic is a construct, for which there probably can be no direct measure. Various measures of it may have greater or less construct validity. A distinction is therefore made between an underlying cultural trait described by a cultural dimension, and measurement of this trait in a cultural dimension. Such measures may include cultural surveys done here or in other research (Hofstede, 1984; Trompenaars, 1993; Schwartz and Sagiv, 1995). Evidence for underlying cultural traits may also include analysis of data gathered ethnographically such as done here from opinions of interviewees and from observation. It may also include literature. Concern about construct validity is illustrated in Figure 13.3, which expands on Figure 13.2.

Some construct validity is assumed for measurement of each cultural dimension in the cultural survey. A dimension, such as Universalism – Particularism is assumed to measure the cultural trait for which the cultural dimension is a label, in this case preference for universal principles or particular relationships. Based upon this validity, correlations are tested between the measured cultural dimension and observed control perceptions that are expected to be associated with them. A weak correlation was found between Universalism – Particularism and seeing contracts more than relationships as important for providing control assurance (Table 13.6). The low significance of this correlation ( $p = 0.328$ ) indicates that there is only a two thirds likelihood that there is the hypothesised association between the observed perception and the measured cultural dimension. Absence of a stronger or more significant correlation may arise either from coincidence of the measured cultural dimension and

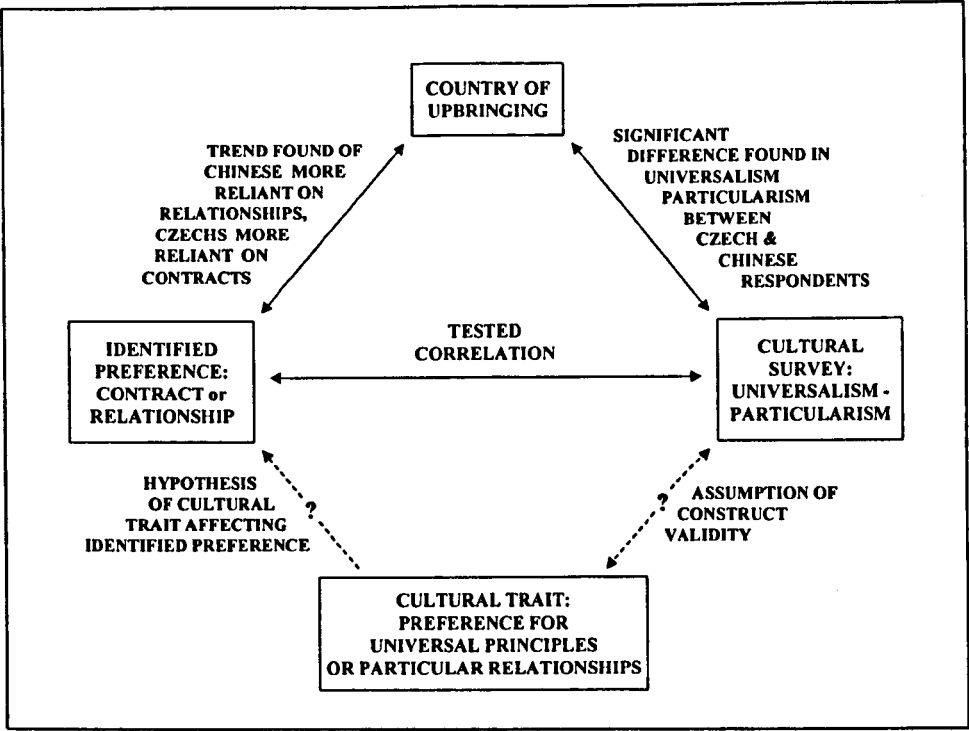


Figure 13.3: Construct validity for a cultural dimension

control perception among mainland Chinese and Czech managers, or from the cultural dimension being a poor measure of the cultural trait. In the former case, preference for contract or relationships may arise predominantly from non-cultural factors, such as differences in legal institutions or market conditions. In the latter case, preference for contracts over relationships may arise predominantly from the cultural trait of preference for universal principles over particular relationships, but the cultural dimension may have poor construct validity as a measure of the cultural trait.

Comparison of how many hypothesised correlations are supported may give an indication of the explanatory power of each cultural dimensions, and hence of its construct validity. Explanatory power is used here to mean how often an explanation is provided for the findings of patterns in control perceptions.

The number of correlations, the strength at which they were found, and their significance are summarised in Table 13.9. It shows that out of 48 hypothesised correlations that were tested, 34 (6 + 10 + 18) were found to be in the expected direction. However, 6 of these were very weak correlations with a correlation coefficient less than 0.1, a further 10 were stronger but not significant, and only 18 were significant ( $p < 0.1$ ). It can be seen from Tables 13.6-8 that the 18 significant

correlations had correlation coefficients falling between  $\pm 0.24$  and  $\pm 0.66$ . Therefore it appeared that none of the cultural dimensions fully explained the ranking<sup>98</sup> of respondents by their weight of opinion for a category of control perception. However, 14 (6 + 6 + 2) correlations were found in the opposite to expected direction. 6 of these were weak with a correlation coefficient of less than 0.1, 6 were stronger but not significant, while 2 were significant ( $p < 0.1$ ).

	Cultural dimensions								Total
	Universal Particular	Specific Diffuse	Locus: Internal	Locus: Other people	Achieved Ascribed	Sequential Synch.	Hierarchy Egalitarian	Person Task	
Correlation in predicted direction									
< 0.1 correlation coeff.	4						1	1	6
> 0.1 correlation coeff.	1	5		1	2		1		10
< 0.1 significance	1	8	1	1	6		1		18
Correlation in opposite to predicted direction									
< 0.1 correlation coeff.					1		4	1	6
> 0.1 correlation coeff.	3	1		1			1		6
< 0.1 significance						2			2
Net supported correlations (Number in predicted direction less in opposite direction)									
< 0.1 correlation coeff.	4	0	0	0	-1	0	-3	0	0
> 0.1 correlation coeff.	-2	4	0	0	2	0	0	0	4
< 0.1 significance	1	8	1	1	6	-2	1	0	16
Total expected correlations	9	14	1	3	9	2	8	2	48
Net significant (>0.1) / Total correlations	0.11	0.57	1.0	0.33	0.67	- 1.0	0.13	0	0.33

**Table 13.9: Number of correlations by cultural dimension**

A crude comparison can be made between the number of correlations in the expected and in opposite to expected directions. If each correlation in the opposite to expected direction is assumed to negate the explanatory power of one correlation in the expected direction, the number of net supported correlations can be compared between cultural dimensions. Comparison of the number of net significant correlations (Net supported

<sup>98</sup> The Spearman rank correlation test compares ranking of subjects by each variable, not variation in values for variables.

correlations:  $< 0.1$  significance, third from bottom row of table 13.9) may indicate how much explanation of the findings each cultural dimension provides<sup>99</sup>.

It can be seen that the Specific – Diffuse cultural dimension supports 8 net significant correlations. The Achieved – Ascribed dimension has 6 net significant correlations. Universal – Particular, Internal Locus of Control, Locus of Control in Other People, and Hierarchical - Egalitarian each support just 1 net significant correlation. Person – Task supports 0 net significant correlations, and Sequential – Synchronous time has a negative net significant correlation. These latter 2 dimensions have no explanatory power. This gives further weight to the misgivings (*12.4 Relating findings on systems logic to cultural theory*) about Q. 34 in the cultural survey as a measurement for Sequential – Synchronous time.

The number of net supported correlations may reflect what validity there is in interpreting these indices as measurements for the cultural dimensions. This validity may be indicated by a ratio of the number of net significant correlations to the number of expected correlations; this is shown in the final row of Table 13.9. An arbitrary threshold it taken here, of 50% of expected correlations being supported in the test by net significant ( $p < 0.1$ ) correlations. It is used as a rough indicator of a reasonable degree of construct validity.

It will be important to understand what the limitations are of this rough indicator of construct validity, because interpretation of these correlation tests rests on assumptions about construct validity. This is a rough indicator firstly because it is inferential: there cannot be a direct measure of construct validity for constructs which, by definition, cannot be directly measured. Secondly, there is some circularity to the logic used here, which is illustrated in Figure 13.3. Some construct validity is assumed in calculating indices from the cultural survey. Based on this validity, correlations are tested between the measured cultural dimensions and control perceptions that are expected to be associated with them. The proportion of expected correlations that are found and are significant is used as an indicator of the construct validity, which was assumed in the

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<sup>99</sup> This sort of validity indicator could also have used data on net supported correlations that were not significant. This however would depend upon what arbitrary weighting is given to significant and to non-significant correlations.

first place. However, this approach may provide useful information where the circle is shown to be broken. If the measurement of a cultural dimension is seen generally not to support expected association between control perceptions and a cultural trait, it may be a poor indicator of that trait. In this case as illustrated in Figure 13.3, correlations found between the cultural dimension and a control perception may arise from the dimension and the perception both being associated with the country of upbringing. Interpretation of the correlation as an association with the cultural trait would not then be valid.

Only 3 out of the 7 survey measurements of cultural dimensions achieve this threshold of satisfying the rough indicator of construct validity. They are Specific – Diffuse, Internal Locus of Control, and Achieved – Ascribed. This rough indicator says nothing to question their construct validity and very little to support it. It says rather more about the 5 measured cultural dimensions that fail to achieve this threshold; they are Universalism – Particularism, Locus of Control in Other People, Sequential – Synchronous, Hierarchical – Egalitarian and Person – Task. A significant difference was found in the cultural survey for 3 of these cultural dimensions between the survey respondents from at least 2 of the 3 countries (Table 6.1); these were Universalism – Particularism, Locus of Control in Other People, and Hierarchical – Egalitarian. Therefore measurement of these 3 cultural dimensions did succeed in identifying cultural differences. Furthermore significant differences were found between opinions of interviewees from different countries for selective coding categories (Table 13.4) with which correlations were expected (Tables 13.6-8). This suggests that perhaps there is less than equivalence between these measured cultural dimensions and the cultural traits that might be associated with the patterns of control perceptions. Therefore correlations, that are supported in this Spearman rank test with these 5 cultural dimensions, may arise from both the cultural dimensions and control perceptions being associated with country of upbringing, but not necessarily with the cultural traits that the cultural dimensions are intended to identify.

#### 13.3.5 Correlations with Individualism - Collectivism

The cultural dimension of Individualism - Collectivism has been omitted so far from the analysis of correlations because of concern raised during the axial coding about its construct validity as measured in this cultural survey. It will be remembered (6.2.2 *Analysis of the survey results*) that the survey results for this cultural dimension were

Categories of control perceptions	N	Expected direction of correlation	Individualism – Collectivism			
			Index	Q. 20	Q. 21	Q. 22
Business relations with external parties (Chapter 7)						
Contract or relationship		+				
	Correlation Coefficient		-0.080	0.049	-0.177	0.012
	Sig. (1-tailed)	33	0.330	0.394	0.166	0.473
Obligations (Chapter 8)						
Responsibility: guilt or shame		+				
	Correlation Coefficient		-0.449	0.000	0.000	0.000
	Sig. (1-tailed)	13	0.062 *			
Accountability or responsibility		+				
	Correlation Coefficient		0.282	0.238	0.147	0.264
	Sig. (1-tailed)	35	0.050 *	0.088 *	0.204	0.065 *
Internal relations (Chapter 9)						
Contribution or reliability		+				
	Correlation Coefficient		0.493	0.514	0.205	0.408
	Sig. (1-tailed)	27	0.004 **	0.004 **	0.157	0.019 **
Coach and develop staff		+				
	Correlation Coefficient		0.318	0.527	0.115	0.057
	Sig. (1-tailed)	19	0.092 *	0.012 *	0.325	0.411
Loyal to self		+				
	Correlation Coefficient		0.058	-0.123	-0.013	0.331
	Sig. (1-tailed)	19	0.402	0.308	0.479	0.083 *
Structure: roles		+				
	Correlation Coefficient		0.212	-0.016	0.109	0.316
	Sig. (1-tailed)	38	0.101	0.463	0.257	0.026 *
Hierarchy: paternal		- ve				
	Correlation Coefficient		0.049	0.099	0.174	-0.359
	Sig. (1-tailed)	17	0.425	0.	0.253	0.079 *
Information (Chapter 10)						
Truth: Absolute or relative		+				
	Correlation Coefficient		-0.519	-0.091	-0.725	0.000
	Sig. (1-tailed)	7	0.116	0.423	0.033 *	.
Information: transparency or secrecy		+				
	Correlation Coefficient		0.249	0.181	-0.101	0.458
	Sig. (1-tailed)	17	0.167	0.236	0.346	0.028 *
Law, rules & procedures (Chapter 11)						
Rule of law		+				
	Correlation Coefficient		0.206	-0.043	0.141	0.233
	Sig. (1-tailed)	11	0.272	0.450	0.340	0.245
Morality: individual or communal		+				
	Correlation Coefficient		-0.232	-0.145	0.242	0.104
	Sig. (1-tailed)	15	0.203	0.310	0.203	0.361
Legal process for resolving disputes		+				
	Correlation Coefficient		-0.426	-0.250	-0.671	0.316
	Sig. (1-tailed)	6	0.200	0.316	0.072 *	0.271
Basis for procedures: Reason		+				
	Correlation Coefficient		0.191	0.015	0.148	0.108
	Sig. (1-tailed)	33	0.144	0.466	0.205	0.274
Systems logic (Chapter 12)						
Control focus: People and relationships		- ve				
	Correlation Coefficient		-0.058	-0.105	0.033	-0.105
	Sig. (1-tailed)	35	0.370	0.274	0.425	0.274

**Table 13.10: Correlations between Individualism and control categories<sup>100</sup>**

<sup>100</sup> \* - significant at level  $p < 0.1$ ; \*\* - significant at level  $p < 0.01$ .

contrary to both qualitative data in the study and other research. It will be further shown that it performs poorly against the rough indicator of construct validity discussed above.

Doubts about Individualism – Collectivism were unfortunate because more correlations were hypothesised with it, at 15, than for any other cultural dimension (13 for Specific - Diffuse). The correlation test was therefore run not only for the calculated index for the dimension, but also for each of the 3 survey questions used to calculate the index. The results are compared in Table 13.10. This shows very little consistency between these 4 measures in where they support significant correlation with categories of control perceptions. Their explanatory power for these categories may be compared as if they were alternative measures of Individualism – Collectivism. This is done in Table 13.11.

	Individualism – Collectivism			
	Index	Q. 20	Q. 21	Q. 22
Correlation in predicted direction				
< 0.1 correlation coefficient	2	2	0	2
> 0.1 correlation coefficient	4	2	7	5
< 0.1 significance	3	3	0	6
Correlation in opposite to predicted direction				
< 0.1 correlation coefficient	2	4	2	0
> 0.1 correlation coefficient	3	3	3	0
< 0.1 significance	1	0	2	0
Net supported correlations (Number in predicted direction less in opposite direction)				
< 0.1 correlation coefficient	0	-2	-2	2
> 0.1 correlation coefficient	1	-1	4	5
< 0.1 significance	2	3	-2	6
Total correlations tested	15	14	14	13
Net significant (>0/1) / Total correlations	0.13	0.20	-0.13	0.40

**Table 13.11: Number of correlations for Individualism**

This table shows that the index calculated for the dimension and the 3 questions from which it was calculated fail the rough indicator of construct validity (all < 0.5 in the final row of Table 13.11). All but Question 22 fall far short of it. Question 22 on its own appears to be a poor measure of Individualism – Collectivism. Besides not quite meeting this rough indicator of construct validity, it showed Czech respondents to be more Collective than the Chinese, with British respondents the most Individualist; this is inconsistent with Czech Individualism found from the qualitative analysis and in literature. Perhaps better success would have been achieved if all 5 questions on

Individualism – Collectivism had been used from Trompenaars' instrument, or if Hofstede's instrument (1984) had been used; one of the instruments or methods described by Triandis (1995) might also have yielded better results.

#### 13.3.6 Implications of the correlations tests

It is probably unwise to draw any conclusions from correlation tests with the cultural dimensions that failed the rough test for construct validity. Correlation tests are therefore taken as neither supporting nor throwing doubt on the associations between these cultural dimensions and patterns of control perceptions identified in the specific coding findings (Chapters 7 – 12). In contrast, correlation tests for the 3 cultural dimensions that pass the rough indicator of construct validity have been noted in Chapters 7 to 12.

The analysis done here is limited. No consideration has been given to the possibility of joint effects between cultural dimensions. Cultural dimensions may also have a joint effect with other contextual factors such as social, economic or institutional factors.

#### 13.3.7 Measurement of culture

It may be wise to distinguish the measurement of cultural dimensions from the description of what these dimensions represent. Both Hofstede's (1984, 1991) and Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) measures are based upon a limited number of questions in a survey instrument. They cannot explore the full breadth of the descriptions given to dimensions they purport to measure. It is therefore possible that patterns found here in perceptions of management control could reflect the cultural traits for which cultural dimensions are labels, notwithstanding absence of association with the measured cultural dimensions.

Problems identified here with construct validity of cultural dimensions illustrate some of the difficulties of measuring culture. Although these arose with the use of a shortened survey instrument, any measurement of a cultural trait with a limited number of closed questions can capture only a shallow reflection of the depth of shared beliefs, attitudes and values comprising a national culture. There is in addition the problems of achieving functional equivalence, so that each question is interpreted as referring to the same thing in each culture (Adler, 1983), so it invokes the same cultural dimensions. Furthermore there is likely to be a considerable emic part of shared beliefs, attitudes and

values within a national culture that cannot be accessed and compared using cross-cultural instruments.

These problems may be illustrated by the pattern found of Chinese views on paternal hierarchy. It was compared to Czech and British views on hierarchy. A very small insignificant correlation was found between paternal hierarchy and the cultural dimensions of Hierarchical – Egalitarian (Table 13.7). Yet similarities were noted between Chinese views of hierarchy and Confucian teaching of hierarchy in society. The Confucian view of social and organisational hierarchies has been embedded in Chinese culture for perhaps 2,500 years<sup>101</sup>. It is etic only between cultures that have a Confucian tradition. A survey designed to measure national cultures in a limited number of closed questions can no more than scratch the surface of the deep values, beliefs and meanings of each culture. The more ideographic research methods used here of interviews, open ended questions and observation, can perhaps uncover slightly more of a still imperfect description of the richness of cultures. Therefore, if the views on this type of paternalistic or Confucian hierarchy are accepted as being predominantly cultural (Lachman et al., 1994), the lack of cultural explanation given by surveys for these findings probably reflects limitations of the survey methods, more than limitations of the more ideographic methods used for qualitative analysis.

Other researchers have raised doubts whether survey instruments to measure culture are always sufficiently sensitive to give meaningful insight (Lau et al., 1997; Chow et al., 1999b; Harrison and McKinnon, 1999). The restricted range of information given by a few dimensions for etic measurement of culture, may provide insufficient information to explain, let alone to predict, management control in different cultures. Therefore although parsimony of cultural models with their cultural dimensions facilitates thinking, it hides complexity that is inherent in culture.

#### 13.3.8 Relating this analysis to prior research

It appears that correlation or interaction of cultural dimensions at the individual manager level to management control variables has seldom been done in prior empirical cross-national research into management control. Three exceptions have been identified

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<sup>101</sup> Confucius is thought to have lived from 551 to 479 BC (de Barry, 1960)

among the empirical studies reviewed in Chapter 2. Chow et al. (1991) found no significant interaction between measured Individualism and management control in their independent effect upon work performance. Frucot and Shearon (1991) found an interaction between Locus of Control and budgetary participation affecting managers' satisfaction. Brewer (1995) found no interaction between Locus of Control from more Powerful Others and resistance to implementation of ABC management systems, but did find an interaction between concern for saving face and such resistance.

Hofstede (1984) may have deterred researchers from analysing national culture at the individual level. He warns of the ecological fallacy of confusing within society correlations with between society correlations. His indices for cultural dimensions are measures of populations not of individuals, and he distinguishes culture of groups from personality of individuals (Hofstede, 1991). He therefore condemns analysis of culture at the level of individuals as being based on "an inadequate research paradigm" (1984, page 25), although other cultural researchers have recognised it as legitimate and useful (Triandis, 1995; Bond, 1996). However as shown here, confining measurements of cultural dimensions to groups leads to potential confusion between effects of a cultural dimension and effects of belonging to the cultural group. Unless analysis is done for sufficiently many cultures, it potentially fails to isolate the effects of a cultural dimension from the overall effect of country of upbringing.

It is possible that prior cross-cultural studies of management control have fallen into the pitfall, identified here, of assuming that findings of management control for a country are associated with plausible cultural explanations, where both the management control phenomenon and cultural characteristic are identified with the country. This pitfall might help explain some of the discrepancies in findings between studies identified in Chapter 2. For example it might help explain discrepancies concerning an association between Individualism – Collectivism and use of responsibility centres (Chow et al., 1991; Harrison et al., 1994), or Individualism and Power Distance being associated with the effects of budget emphasis (Harrison, 1992; Lau et al., 1997). While it cannot be demonstrated that this is a cause for discrepancies in findings of prior studies, it must remain a possibility where associations between management control phenomena and cultural attributes are assumed rather than checked such as with correlations for individual subjects.

### **13.4 Conclusions on corroborating findings with statistical tests**

Uniqueness of perceptions was demonstrated for both the axial and selective coding.

Corroboration of country of upbringing as distinguishing patterns of control perceptions was generally successful. This test corroborated findings for all but 1 selective coding category. It showed that differences in opinions, apparently between managers from different countries, generally did not arise from differences between the 2 MNCs.

The statistical corroboration for location factors was generally not successful. This was because views were gathered from insufficient expatriates. Secondly, it was seen that views of expatriate managers may tend to differ from those of either their local colleagues or their compatriots for a complex variety of reasons. Yet it appeared from the limited data available that there was not a general tendency for expatriate views to shift from the norm for their compatriots towards local views. This provides some small support for the conclusion from qualitative analysis that differences between countries related to factors of managers' countries of upbringing, such as national culture, more than to location factors such as local regulation, markets or institutions.

Corroborative statistical tests of association, between selective coding categories for control perceptions and cultural dimensions, uncovered a problem of construct validity. This raised concern whether indices, calculated for some of the cultural dimensions from the cultural survey, provide valid measurement of the cultural characteristics for which the dimensions are taken as labels. This pointed to difficulties of capturing the richness of national cultures in survey instruments. Lack of construct validity for cultural dimensions as measurements of cultural traits may have confounded prior cross-national studies into management control.

Nevertheless 15 significant correlations were found between the 3 cultural dimensions for which no construct validity doubts were raised (Specific – Diffuses, Internal Locus and Achieved – Ascribed in Table 13.9). These correlations helped corroborate association between patterns of differences found between managers from different countries in their control perceptions and cultural dimensions. This supports conclusions of the qualitative analysis that these differences in perceptions of management control reflect factors of national culture as well as of other contextual factors.

## CHAPTER 14. THE SUBSTANTIVE THEORY

This chapter draws on the findings of the selective coding, and in one respect also from axial coding. It shapes these into a coherent theory. The first section of this chapter outlines the nature of the theory. Four strands of theory are then set out, each in a separate section. These are unique perceptions of management control, patterns in these unique views, the context of perceptions of management control, and the main distinguishing features between national patterns in control perceptions. This theory is then related to existing knowledge. Firstly it is related to the state of cross-national research into management control, secondly to management control systems theory, and thirdly to theories of accountability. The chapter finishes with a concluding summary.

### ***14.1 Nature of the theory***

This theory is substantive, in the sense that it is of the substantive area in which this study has been conducted (Glaser and Strauss, 1967). Other studies have been referred to for the purpose of seeking corroboration for this substantive theory, rather than to extend it into a formal theory. It has been generated from inquiry principally among British, Czech and Chinese managers of two Western MNCs. These people were located in the UK, Prague and Beijing, where these MNCs both have operations. It remains to be demonstrated to what extent this theory is applicable to other Western MNCs operating in other industries and service sectors, to members of indigenous companies, to other locations within these countries<sup>102</sup>, and to other countries of similar culture and institutions. It is a theory about how managers gain control assurance. It was developed from inquiry that started asking about trade credit control. Inquiry was broadened in selective coding to embrace management control in general. However, it remains to be seen to what extent this substantive theory, developed in this way, is applicable in areas of management control that have not been specifically covered, or have been specifically excluded (4.3.9 *No*

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<sup>102</sup> Emmanuel et al. (forthcoming) find considerable regional variety in control attitudes within both mainland China and the UK.

*comparison between the 2 MNCs*). It is therefore a substantive rather than formal theory, in the sense that it is not claimed to apply across a range of generic situations.

As explained in Chapter 3, this theory is developed from the stance of middle range ontological, epistemological and methodological assumptions. The methodology adopted is insufficient to support generation of predictive theory. This substantive theory is intended only as an explanation and aid to understanding, not as an aid for prediction. Of course, by extending existing knowledge, it also indicates questions that may stimulate further research.

As has become apparent to the researcher during this study, an explanatory rather than a predictive theory is more likely to provide practical benefit to practitioners of management control across national cultures. This is because outcomes within this substantive area are inherently unpredictable in terms of how a particular individual, or small group of people, will perceive management control. Providing managers with a theory that purports to aid prediction of what they will find, or of optimal solutions to problems they may encounter, is likely to close down mind sets. This would tend to lead to lower perception of unfamiliar and unexpected cultural patterns and subtleties. It would be likely to encourage stereotyped perception and solutions. Instead, a theory that purports merely to explain is more likely to open mind sets to new and unfamiliar ways of seeing management control.

## **14.2 Unique perceptions**

The first part of this substantive theory is that perception of management control held by each individual is unique. This is an important finding. It suggests that there cannot be a standard view of management control. There is likely to be considerable complexity of different views within any cultural grouping; there is scope for many levels of patterns within sub-groups, such as for regional variation within national cultures. Alasuutari's claim (1995, page 14) that "in qualitative analysis a single exception is enough to break the rule, to show that one has to rethink the whole thing" is untenable in this situation. Rather than rules, nothing more than tendencies in perceptions of management control have been found. These cultural tendencies with exceptions and overlaps were illustrated in Tables 13.1 and 13.3, where Chinese perceptions tended to cluster at the top and British perceptions at the bottom of the tables.

This uniqueness of views makes the subject of this theory inherently unpredictable at the level of individuals or small groups of people.

### ***14.3 Distinct patterns by national culture in control perceptions***

Secondly, despite these unique views of management control, patterns in perceptions appear by various groupings of managers. Patterns by national groupings are distinctly different patterns by company and by function, by level of seniority in organisational hierarchies, and by gender (Tables 6.2 and 13.4). Basic assumptions, values and perceptions from the culture of managers' country of upbringing seem to be reflected in different perceptions of, and attitudes to, a number of categories. Yet managers and staff from all countries appear to fit into organisational cultures, and to take on roles and practices expected of them; perhaps this is an implicit condition of career success in CoX and CoY. The focus of this theory is the differences by national culture, rather than similarities between views of managers from different countries, or patterns of differences between other cultural groupings such as companies or functions.

### ***14.4 Context of perceptions of management control***

The third part of this theory concerns the context within which perceptions are held of management control. Patterns in perceptions have been developed from differences appearing in the axial coding (Chapter 6), through selective coding that culminated in 6 key categories (Chapters 7 to 12). Relationships have been sought between these patterns in control perceptions and the context in which control assurance is provided.

Cultural aspects of this context have been sought in terms of dimensions of national culture, such as Universalism – Particularism, which allow unbundling and measurement of national culture. This has not always been successful, and evidence has accumulated that there is much more to the effect of national culture on perceptions of management control than can be measured in cultural surveys. A richer cultural background has been indicated by qualitative analysis, and by relating control perceptions to historical, literary and philosophical traditions of people of the 3 countries. Yet measurement of cultural dimensions has at times been useful for indicating what aspects of culture affect what aspects of control perceptions. This

has provided between methods triangulation (Jick, 1979; Eisenhardt, 1989), and support for the qualitative induction of the substantive theory.

Context has also been identified in terms of wider economic, market, regulatory and social factors that appear to affect perceptions of management control.

A simplified model of the context for gaining control assurance is summarised in Figure 14.1. Within this model, 'distinguishing perceptions' represent the characteristic perceptions of gaining control assurance that were identified in Chapters 7 to 12. The shaded central oval, or 'egg'<sup>103</sup>, of Figure 14.1 is developed further in the next section. The purpose of this section is to explain that part of the substantive theory represented by the un-shaded part of Figure 14.1 and its relationship with the shaded 'shared values and preferences'.

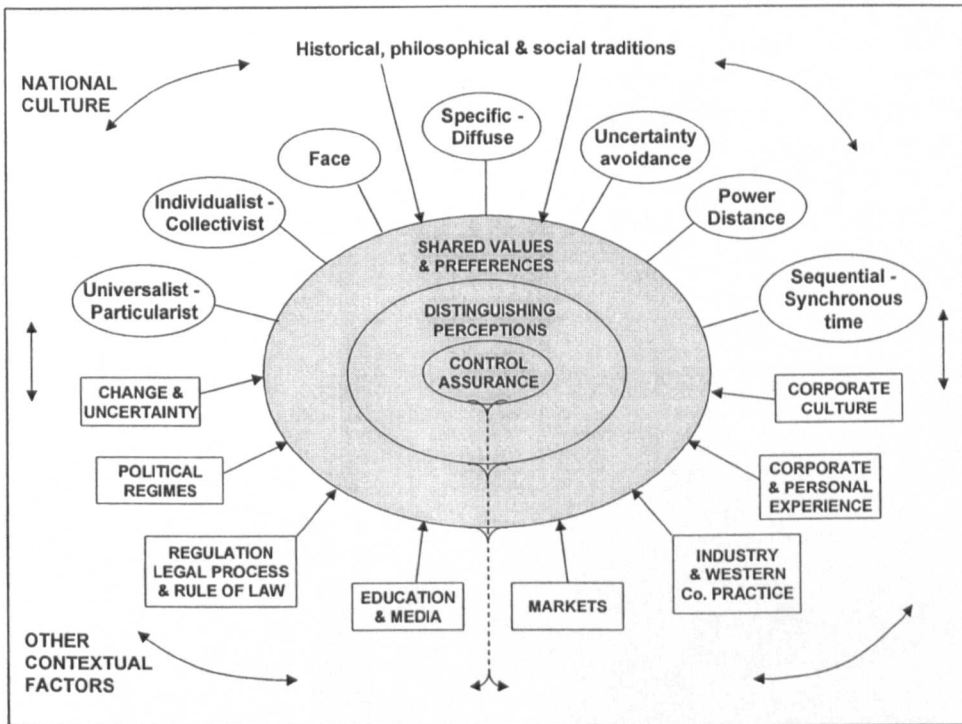
Shared preferences, such as for openness and personal relationships, follow directly from shared values, which themselves are an integral part of culture (as defined in Appendix A). Shared values of culture have been analysed here through cultural dimensions, which give a crude representation and measurement of national culture. The dimensions of national culture that have been identified in the data of the study, such as Universalist – Particularist, are shown in un-shaded ovals in Figure 14.1. They are connected to shared preferences and values by solid lines in order to indicate that the former are constituent aspects of the latter. Dimensions of national culture extend beyond what has been measured here in the cultural survey or in research by Hofstede (1984; 1991) or by Trompenaars (1993; Trompenaars and Hampden-Turner, 1997), to include concern for face. Also the cultural dimensions represent broader concepts than what has been measured directly. For example, Chinese group orientation as described above (*5.1 Chinese culture – 2. Group orientation*) is included within Collectivism, and comfort zones within Uncertainty avoidance.

The affect of historical, philosophical and other social traditions on shared values and preferences are also represented in Figure 14.1. with arrows indicating direction of

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<sup>103</sup> The metaphor of an egg is used purely for ease of description of constituents of the substantive theory, rather than to imply or to convey any meaning about the nature of the theory (Morgan, 1980).

influence. These historical factors that were identified in the study data include Czech resentment of foreign domination. Philosophical traditions, identified in the study data as factors affecting perceptions of gaining control assurance, include Confucian and Taoist philosophy, European hypotheco-deductive logic, and Czech philosophies of truth. Social traditions identified as affecting perceptions of gaining control assurance include Chinese *guan xi* and *ren qing*.



**Figure 14.1: Context of gaining control assurance**

Other contextual factors, such as education and markets, were also identified in the study data, and these are shown in square boxes. They are connected by arrows to shared values and influences in order indicate the influence these were found to have on perceptions of gaining control assurance.

It appears that cultural dimensions interrelate. Indeed comparison of Hofstede's (1984), Trompenaars' (1993) and Schwartz' (Schwartz and Sagiv, 1995) schemes for dimensions suggests that demarcation between dimensions appearing in different schemes is to a large extent arbitrary. For example, although both Hofstede (1991) and Trompenaars (1993) each have a similar dimension of Individualism – Collectivism, Trompenaars distinguishes it from his dimension of Specific – Diffuse that embraces the nature of relationships, which Hofstede attributes to Individualism

– Collectivism. Also it was shown here (*11.7 Relating findings on laws, rules and procedures to cultural theory*) that while Trompenaars (1993) explains attitudes to law with his Universalism – Particularism dimension, Hofstede (1991) does so with his Uncertainty Avoidance and Individualism – Collectivism dimensions.

It is submitted that there are interrelations between cultural factors and other contextual factors, as well as between the cultural factors. For example, historical and philosophical traditions have been handed down by one generation to the next, and by education systems, to shape cultural values, which in turn shape education systems and create further historical and philosophical traditions. On a shorter time scale, market factors affect corporate experience and managers' personal experiences, which become reflected in corporate cultures, which in turn influence corporate actions that constitute market activity. Even a circular loop of causation, such as implied here, may be an over simplification. For example, corporate action may emerge within market conditions spontaneously, as well as purposefully designed with the benefit of past experience. Thus each factor may influence and feed off all other factors in a complex socio-cultural-economic ecology. The possibility of this sort of complex interaction was explained for attitudes to information (*10.8.2 Czech context*). Historical, philosophical and social traditions, other contextual factors and national culture are therefore shown in Figure 14.1 as all influencing each other.

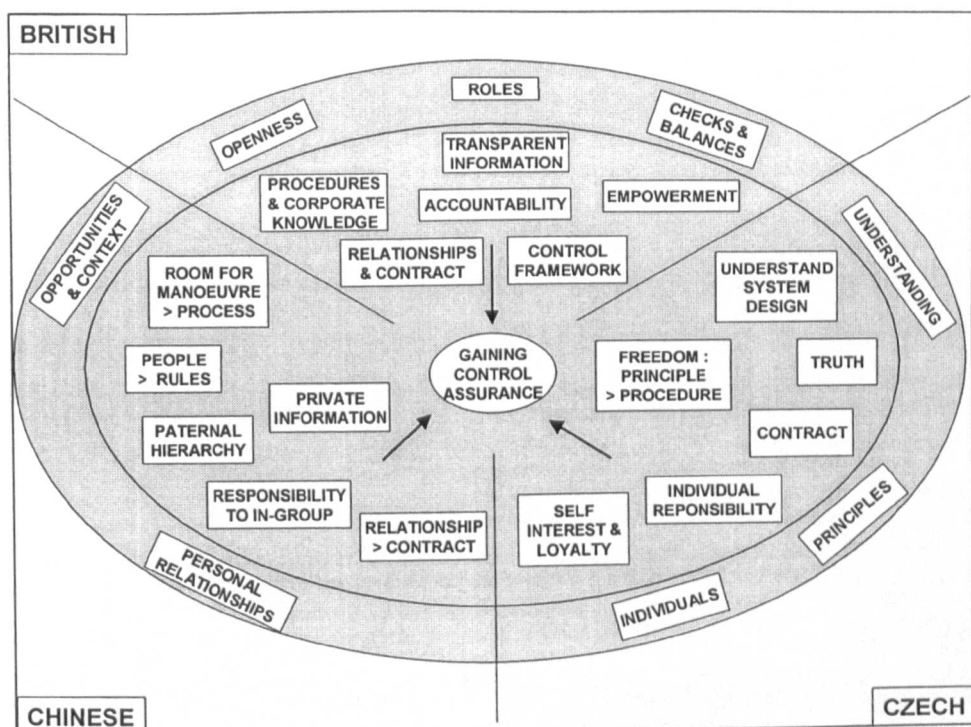
From middle range ontology and assumption of human nature, a wholly objective and deterministic view of gaining control assurance seems implausible. Control assurance is probably not the outcome of definitive factors, but at least to some material extent a social construction (Berger and Luckman, 1967; Ahrens, 1996). Views on whether a particular business is under control may be socially constructed within a management team, within an audit team, between such teams, and within the community of capital markets. This is not to deny that consensus and patterns of views may be identified objectively. From this middle range stance, deterministic models, showing linear relationships between factors and contingencies affecting management control (e.g. Child, 1981, Figure 1), or for that matter accounting systems (Gray, 1988, Figure 2), appear over simplistic. Hofstede (1984, Figure 1.4, page 22) suggests considerable interaction between ecological factors, cultural value systems and institutions. The possibility is therefore recognised that how managers

perceive gaining control assurance may affect their shared values and preferences, which may affect the organisational, market and social context in which they work. For example the perceived effectiveness or importance of a control method or type of management control, is likely to affect corporate cultures and how companies operate in the market. Forces of both competition and mimetic institutional isomorphism (Meyer and Rowan, 1977; DiMaggio and Powell, 1991) are likely to spread practice between firms (Firth, 1996), spurred on by normative institutional forces of professional best practice and perhaps reflected in coercive forces of regulation. These institutional forces are likely to alter cognition of what is constituted as reality in society (Scott, 1995). The risk based approach to internal (McNamee and Selim, 1998) and external auditing is an example of good practice, spread by professional standards of required best practice (APB, 1985) and now appearing in market regulation in the UK (Turnbull, 1999; FSA, 2000). A dotted arrow in Figure 14.1 therefore shows a potential influence by perceptions of gaining control assurance, and by shared values and preferences, on wider contextual factors.

### ***14.5 Principle distinguishing features of the perceptions***

Features of the key categories, that emerged during selective coding from managers' control elements, have been re-grouped in order to tease out recurring themes in essential differences between how managers from the three countries tend to see gaining control assurance. This picture of the substantive theory, shown in Figure 14.2, was developed through presentation of the research findings to senior managers of the two MNCs and from presentation to academic conferences (*4.4 Initial reporting*).

This is a simplified model of complex phenomena. No apology is made for the complexity it is attempting to portray, because culture and cultural analysis are inherently complex (Bate, 1994).



**Figure 14.2: Shared values & preferences, and distinguishing perceptions of gaining control assurance**

In this figure, the outer ‘shell’ of the egg represents shared values and preferences, such as for openness, which were related to the context of gaining control assurance in the previous section. The ‘white of egg’ represents the major distinguishing themes in the key categories, and was labelled ‘distinguishing perceptions’ in Figure 14.1. The ‘yolk’ of the egg is the core category of gaining control assurance. Although gaining control assurance was common to managers from all three countries, how they gained that assurance tended to be different, which is signified by the three way division of the white and shell of the egg. The whole egg is dependent upon the context of cultural and other contextual factors depicted in Figure 14.1. This comparative picture omits the considerable similarities between the three national cultures in gaining control assurance, indicated in Table 6.2.

#### 14.5.1 Chinese perceptions

Among Chinese managers in this study two shared preferences or values stood out as explaining much of what distinguished their perceptions of management control from those of British and Czech managers. The first was personal relationships. This was

reflected in reliance on relationships more than on contracts and legal processes, personal responsibility owed to fellow members of an in-group, paternal hierarchy based upon personal loyalty by subordinates given in return for expectations of being looked after, looking to people more than rules, and keeping information private. Secondly, there was preference for opportunity and context. This was reflected in maintaining flexibility rather than commitment to a process. It was also reflected in looking to people more than rules, in keeping information private and showing less concern for feedback information, and in expecting business between people to develop with their relationship rather than expecting it to be defined and constrained by a contract.

Six features of the distinguishing key categories for the Chinese managers' perception of gaining control assurance in this study are shown in Figure 14.2. Each is symbolic for a key category, which distinguishes how Chinese managers tended to gain control assurance.

The feature of 'relationships more than contracts' signifies the greater reliance that tended to be given by Chinese managers to personal relationships than to contracts with external parties, and of Chinese views of the key category developed in Chapter 7. It includes the nature of these relationships, which for example usually involved elements of Chinese *guan xi* or even *ren qing*. How transactions and relations with external parties were regulated impacted on assurance that organisational objectives, standards, goals or purposes would be achieved. While being clearly pertinent to trade credit control, regulation of external relations was also crucial to wider aspects of selling goods and providing services, as well as to procurement, value chain management, and management of joint ventures.

'Responsibility to in-group' symbolises the Chinese perceptions found here for the key category of obligations developed in Chapter 8. It included the tendency for Chinese people in this study to see responsibility as a heavy duty or burden owed to their colleagues and to their bosses. This was personal in that its weight depended upon the relationship with the person to whom it was owed, which was very much greater where that person were an important figure in one's in-group. The moral overtones to this sort of responsibility appeared to be a feature of Chinese interpersonal relationships. The strength of this duty of responsibility, and the willingness or reluctance with which it was accepted, appeared to be an important

distinguishing feature of how control assurance was gained by the Chinese managers that people would conform to and fulfil what was expected of them.

'Paternal hierarchy' symbolises the personal and hierarchical nature of relations within organisations, that tended to be seen and expected by Chinese staff and managers (Chapter 9). This included reliability of subordinates and the personal nature of their loyalty to the particular boss, assuming that sufficient personal relationship has developed between them. It also represents a hierarchical nature of teams. This, together with the previous 'responsibility to in-group' and the next feature 'people more than rules', appeared to be distinguishing features of how the Chinese managers tended to gain control assurance that the internal organisational structure and relations between organisational members would help achieve organisational objectives, standards, goals or purposes.

'People more than rules' signifies the tendency seen for the Chinese managers in this study to place greater reliance on people and on personal relationships with them, than on impersonal rules (Chapter 11). This refers both to internal organisational rules, procedures and relationships with fellow organisational members, and to legislation, external regulation and relationships with external parties. An apparent paradox was seen between this feature and Chinese regulators and managers tending to issue a large volume of rules. This appeared to be reconciled by, *inter alia*, using ambiguity and flexible interpretation to allow people to mediate between rules and their practical effect. The implication seems to be that rules *per se* tended not to provide much control assurance to the Chinese managers in this study. It appears that it was people and relationships between them, rather more than rules, that tended to give them control assurance.

'Private information' symbolises the tendency that appeared among Chinese managers and organisations towards secrecy, and to see information as valuable where it can be used to maintain relationships, rather than when widely held and open to scrutiny and challenge (Chapter 10). Information appeared in all 30 axial respondents' perception of control (Table 6.2), but these features of prevalent Chinese attitudes to information appear to indicate that information tended to take a different part in providing assurance for the Chinese as opposed to Czech or British managers. It seems that one way in which information tended to provide assurance to the Chinese managers was by indicating reliability of interpersonal relationships,

and, drawing on the findings of Chapter 12, by describing context and indicating potential opportunities. This may suggest that rather less assurance tended to be gained by the mainland Chinese than Czech or British managers from feedback confirmation that systems are operating as expected.

'Room for manoeuvre more than process' symbolises greater attention that tends to be given by the Chinese managers to opportunities, context and people rather than to process (Chapter 12). Consequently, flexibility and good positioning for opportunities tended to be more important to Chinese than to British or Czech managers for providing control assurance; whereas British and Czech managers tended to place greater control assurance on processes than did Chinese managers. This, as well as 'people more than rules', is illustrated by the remark of a Chinese manager (*interview # 997*) that

*"Control is awareness not a system; it is only effective when it is in people's mind".*

#### 14.5.2 Czech perceptions

Among the Czech managers, three shared values or preferences appeared as themes to underlie the distinguishing features of how they gain control assurance. The first was valuing people as individuals. This was reflected in Czech managers tending to see people as inherently self interested and loyal to themselves, responsibility as the duty of an individual, and for a desire for freedom unconstrained by procedures that were not understood by the individual. Secondly there was the shared value put on principles. This was reflected in the duty of responsibility based upon what should be done, rather than what someone might be forced to do or be obliged by others to do. It was reflected in the importance of contracts, despite difficulties with enforcing them, in truth, in the desire by individuals to know why procedures should be followed, and in their desire to understand design principles for control systems. Thirdly, linking these two themes, there was the shared preference for understanding, for individuals to understand the principles that should guide their action or that regulate the system. This was reflected in the importance of individuals understanding their responsibilities, in truth to oneself, and in understanding the design of the control system.

In Figure 14.2, 'Contract' represents Czech perceptions of the key category of how business relations with external parties are regulated (Chapter 7). There was a tendency for the Czech managers to rely more on contracts than on relationships. In contrast to Chinese managers, they appeared generally to gain greater control assurance from clear statement of principles by which transactions are to be regulated than on developing relationships and interpersonal feelings with business counter-parties.

'Individual responsibility' signifies Czech attitudes to the key category of obligations developed in Chapter 8. It is an understanding by individuals of what their duty is, as well as the tendency for Czech people in this study to look primarily after their own interests and comforts. Therefore, in contrast to Chinese responsibility owed to others within interpersonal relationships, Czech responsibility appeared to be more a matter of individual integrity owed to oneself and society at large. Ensuring that staff understand their responsibilities was a key theme of how control assurance was gained among Czech managers.

'Self interest and loyalty' symbolises Czech views found here on the key category of internal relations, which was developed in Chapter 9. It includes the primary allegiance to oneself among the Czech interviewees, together with the contingent allegiance and respect that Czech staff tended to give both to bosses as leaders and to teams. Czech managers' views of the internal organisational structure, with respect to gaining control assurance, appeared as a system comprising individual people who need to be instructed so that they understand their duties and the principles on which the system works. Drawing also on the findings of Chapter 11, it was seen that these views were reflected by Czech subordinates, who tended to want to understand these reasons and principles before they would commit themselves to organisational purposes, objectives, standards and procedures.

'Truth' symbolises Czech views on the key category of information, which was developed in Chapter 10. It includes high importance that tended to be given to personal integrity, and to the widespread frustration felt for dishonesty and the low morality displayed in the Czech Republic. This paucity of honesty in the Czech

Republic<sup>104</sup> appeared to frustrate some of the Czech managers in their assurance that their business was under control. Other Czech managers felt that it frustrated development of businesses in the Czech Republic towards more fulfilling standards, goals and objectives.

'Freedom: principle more than procedure' symbolises Czech views on the law, regulation and procedures, which was developed in Chapter 11. It includes the apparent paradox between the tendency for Czech employees to desire legal certainty, and at the same time want freedom to follow internal procedures only when they understand why these should be followed. This appeared to be a tension between individual self interest and high regard for universal principles. Resolution in the previous Communist regime might have been through force and fear (Seal et al., 1995). Today, resolution appears to be through appeal to understanding of principles and to individual integrity. The implications within this study for gaining control assurance by Czech managers appeared to be that assurance of achieving organisational objectives, standards and goals depends upon clear exposition and understanding of those principles.

'Understand system design' symbolises Czech perceptions found here for the key category of systems logic, developed in Chapter 12. It includes a focus on whether the control system works, and also more concern than by the Chinese managers for detailed and sequential planning. Understanding the design and logic of the system can be seen as a recurring theme extending to internal organisational relations and compliance with procedures. The questions whether the control system was well designed, whether it was internally consistent, operated as designed and worked efficiently, appeared generally to be central to control assurance for Czech managers in this study.

### 14.5.3 British perceptions

Three shared values and preferences appear to underlie and run as common interrelated themes through the British perceptions in this study. First there is preference for openness. It is reflected in transparent information and in

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<sup>104</sup> This does not imply that there was lack of honesty or low morality within CoX or CoY in Prague. For them the problem was lack of honesty outside their companies.

accountability. The second shared preference is for roles. It is a preference for recognising and making allowance for the various roles that people play within organisations and in business relations with external parties. This links with openness, because recognition of roles requires openness as to what role people are playing. It was seen how roles are implied in procedures, in reliance on contracts as well as on relationships, in transparency of information, and in accountability. Finally there is shared preference among British managers for checks and balances. These were seen as valuable because the world is uncertain and unpredictable. They were valued because of the variety and shifting complexity of roles that people play. Checks and balances are reflected in the interplay between principles and pragmatism that appear in procedures and corporate knowledge: for example, procedures and established ways of working need to strike a balance between pragmatism and standardisation. Checks and balances are also reflected in reliance on both relationships and contracts, in empowerment with accountability, and in the broad range of elements or 'control framework' that appeared to comprise the typical British perception of gaining control assurance.

'Relationships and contracts' represent the pattern of how the British managers tended to gain control assurance for business relations with external parties, which was developed in Chapter 7. It includes the possibility for aligning interests into relationships of mutual interest. It also includes a balance between relationships and taking people to court. It therefore lies between mainland Chinese reliance mainly on relationships and Czech reliance on contracts.

'Accountability' symbolises British perceptions in this study of obligations that were examined in Chapter 8. It includes a tendency to combine responsibility with either, or both of, the roles of owing responsibility and to whom responsibility is owed, and explanation for fulfilment of the responsibility. Understanding by British interviewees of responsibility was distinguished from meanings for Chinese and Czech people as being concerned not so much with duties to members of a relatively fixed in-group or to oneself, but as defined by variable roles. This feature of the British perceptions of management control reflects shared preferences for openness and for checks and balances as well as recognition of roles. Accountability appeared to be a key distinguishing feature of how the British managers gained control assurance concerning other people.

'Empowerment' symbolises British perceptions of control aspects of internal organisational relations, which were developed in Chapter 9. It embraces the tendency among the British managers firstly to want their staff to contribute more than merely being reliable. It includes secondly, the British tendency to see coaching staff members as important, so that they are enabled to contribute more to organisational objectives, to work more effectively in flat teams, and to take on more challenging roles. It contrasts with the tendencies found towards more hierarchical views of internal organisational relations by the mainland Chinese managers, and contingent hierarchical views by the Czech managers. Empowerment and accountability appear to be complementary aspects of how the British managers tend to gain control assurance concerning people within their organisation.

'Transparent information' represents patterns of British perceptions of information for management control, which were examined in Chapter 10. It reflects shared preference for openness. Focus on transparency of information, whether public, between organisations or within organisations, appeared as a distinguishing trend of the British views on what sort of information contributes to providing control assurance. It contrasts with the Czech trend for greater concern with accuracy and honesty than with transparency, and with the mainland Chinese preference for information to be narrowly held.

'Procedures and corporate knowledge' symbolise patterns of British attitudes to the rule of law, regulation, internal policies and procedures (Chapter 11). The British interviewees tended to see procedures as useful, which distinguished them from the mainland Chinese and Czech interviewees. The British managers tended also to value corporate knowledge, of which policies, procedures and established ways of working are a part. British managers therefore appeared to gain control assurance from expectations that rules would be followed, and from establishing expected ways of working appropriate to the particular roles and circumstances.

'Control Framework' symbolises prevalent British systems logic that was examined in Chapter 12. This was identified as reliance on a variety of checks and balances for ensuring that control processes work. This, like the tendency for Czech systems logic but unlike that for mainland Chinese managers, appeared to focus on control processes more than on their context or on objectives for which control assurance was sought. It showed control assurance gained from a pragmatic mix of universal

principles, such as might be embodied in a process design, and adaptation to particular roles and circumstances.

This concludes the substantive theory, which is next compared to existing knowledge.

## ***14.6 The substantive theory and cross-national research into management control***

This section compares the study and its substantive theory to the types of prior comparative research conducted into management control, and to reviews of this prior research. Comparison to existing theories are held over to the following 2 sections on management control systems theory and accountability theory.

### ***14.6.1 Context***

Concurrently with the writing up of this research, Bhimani (1999) and Harrison and McKinnon (1999) published papers regretting the influence of Hofstede's (1984, 1991) successful measurement of cultural dimensions. As reviewed in Chapter 2, subsequent empirical research has relied too much on his cultural dimensions to the exclusion of wider contextual factors. This study has anticipated their call for a wider look at the context of management control. Identification of culture only in quantitative cultural dimensions was recognised here as an over simplistic, and potentially misleading, recognition of complex cultural factors that can affect control perceptions. An attempt to capture this wider context is made in Figure 14.1, which illustrates some of the broad range of contextual factors identified in this study. It can be compared to prior research.

Granick (1972 and 1978) identifies cultural value systems, managerial backgrounds such as education, and business practice in staff selection as affecting managerial remuneration and reward systems. Child and Kieser (1979; see also Child, 1981) recognise in their empirical research multiple factors of cultural forces and contingencies of industrialisation such as economies of scale, organisational structures and business practices. Horovitz (1980) identifies national cultures together with professionalism of managers, characteristics of the market segment, the impact of technology and organisational structure as affecting management control. Unfortunately, most cross-national research into management control, since the

success of Hofstede (1984, originally published 1980) in measuring cultural dimensions, has focused on his dimensions (Harrison and McKinnon, 1999). The research reported here attempts to return attention to wider contextual factors.

#### 14.6.2 Nature of management control

Bhimani (1999) criticises cross-national research for taking an overly deterministic view of forces that affect management control. This too has been anticipated in this study with a middle range stance towards assumptions about human nature, which were explained in Chapter 3. Figure 14.1 illustrates the conclusion to this middle range stance, with a potential complex of mutually interacting factors of national culture, historical, philosophical and social traditions, market, social and organisational institutions, and perceptions of gaining control assurance.

The inductive holistic approach taken in this study has set out to be sensitive to concepts of management control that are emic to the cultures studied. Although an obvious limitation is the impossibility for a single researcher to be sensitive to all within these cultures. The approach taken has attempted to be open to management control as socially constructed in each of the 3 national cultures (Berger and Luckman, 1967; Ahrens, 1996), rather than merely to what conforms to a prior techno-rational theory of management control.

#### 14.6.3 Management control in different countries

Unlike most empirical studies that start with a small number of specific management control variables, or a restricted range of such variables, this research has set out to take a holistic approach to management control. A wide variety of variables were identified in the open and initial part of axial coding, which was then cut down to frequently recurring control elements. Figure 14.2 is a holistic view of key distinguishing features of control perceptions for managers from the 3 countries. Inquiry into management control as a whole is important because different control elements may complement or substitute for each other (Fisher, 1995; Chow et al., 1994). It may also open new areas to research. External relationships and contracts, accountability and types of responsibility, the nature of organisational relations, and attitudes to control processes may be examples of such new areas for comparative management control research that have been explored in this study.

It should be stressed that while the study is intended to be holistic, it does not purport to be comprehensive of key features that distinguish management control perceptions of even the managers studied. There may be further management control elements on which perceptions differ; for example Emmanuel et al. (forthcoming) identify significantly different attitudes to risk and uncertainty between mainland Chinese and British managers. This limitation of the research not being comprehensive is explained further in the next chapter.

Among prior empirical studies, only Horovitz (1980) and Kreder and Zeller (1988), appear to have taken a holistic approach. Some studies, such as Birnberg and Snodgrass (1988) and Chow et al. (1999), have purported to inquire into a complete coverage of management control functions, such as organising, planning, evaluation and rewarding.

Some of the early cross-national research into management control addressed the question of whether management behaviour and best practice is universal around the World or if these are culturally dependent (Child and Kieser, 1979; Horovitz, 1980). Conclusions were that there is some truth in both hypotheses. This study recognises the possibility that some control methods and types of control may be accepted as good practice in all 3 cultures studied here. Indeed information was identified (Table 6.1) as a control element for all of the 30 axial respondents from all three countries. However, this study, like most empirical research after these early studies, has inquired into cultural differences in management control.

### ***14.7 The substantive theory and management control systems theory***

The research question was framed in terms of management control but not of management control systems. This avoided taking into the grounded theory study prior theory and notions of what a system might be. The term 'systems' was introduced in Chapter 12 in order to identify a key category. Many of the interviewees used the word 'system' when describing their perception of management control. It is therefore pertinent to compare these perceptions and the substantive theory to theory of management control systems.

Two types of comparison are made. Firstly managers' use in the field of the word 'system' is compared to how it is used in theory of management control systems.

This may throw some light on how far the use of the term 'system' in management control theory is reflected in use of the word by practitioners. Secondly, comparison may show to what extent perceptions of management control identified in this study correspond to general systems theory<sup>105</sup> of management control, irrespective of whether the interviewees who described their perceptions used the word 'system'. This may show to what extent systems thinking in management control theory reflects the way that practitioners see management control.

Unfortunately time and the researcher's limited language abilities prevented any comparative research between general systems theory in the English, Czech and Chinese speaking worlds. Nor indeed, was comparative research done between theories of management control systems in the English, Czech and Chinese speaking worlds. Such comparative research would have allowed examination of the extent that British, Czech and Chinese managers' perceptions have been influenced, if at all, by prevalent theories of management control systems and by general systems theory in the different countries.

These comparisons of the use of the word 'system' and systems thinking between interviewees and theory do not form part of the grounded theory study. 'System' was not explored with interviewees; it was not pursued as an avenue of inquiry in selective sampling. These comparisons between the data and findings of this study and theory have been brought to the study after completion of the findings. Any attempt to form new findings at this stage would run the risk of shaping data to fit theory, which is contrary to the grounded theory approach to research.

#### 14.7.1 Comparison to management control systems theory

##### *Theory:*

Macintosh (1994) includes 'control systems' in the title of his text, but he appears to explain neither why 'control' is associated with 'system', nor what he means by a system. Perhaps these are self evident to at least most Canadian readers of this text

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<sup>105</sup> General systems theory is used here to refer to what is termed 'general systems theory' (Boulding, 1956; Bertalanffy, 1968; Otley, 1983), 'systems thinking' (Checkland, 1993) or 'systems theory' (Nicholson, 1995; de Leeuw and Volberda, 1996).

by a Canadian author. Simons (1995) in USA describes his 'levers of control' in terms of 4 types of system (belief, boundary, diagnostic control and interactive control systems), but without explaining why these are systems. Maciariello and Kirby, also in the USA, define 'management control system', in their text on the subject (1994, page 1), as follows:

*"A MCS is a set of interrelated communication structures that facilitates the processing of information for the purpose of assisting managers in coordinating the parts and attaining the purpose of an organization on a continuous basis".*

However, they appear not to state explicitly why management control requires a system. They do however define a system as an association of parts that are related to each other. Anthony and Govindarajan (1998), also in the USA, entitle their text 'Management Control Systems'. They explain that control processes used by management employ elements of a system, namely sensor, assessor, effector and communications network. They claim,

*"Any organisation – however well-aligned its structure is to the chosen strategy – cannot effectively implement its strategy without a consistent management control system" (op. cit., page 578).*

Lowe (1971, page 5) defines a management control system,

*"as a system of organizational information seeking and gathering, accountability, and feedback designed to ensure that the enterprise adapts to changes in its substantive environment and that the work behaviour of its employees is measured by reference to a set of operational sub-goals (which conform to overall objectives) so that the discrepancy between the two can be reconciled and corrected for".*

He argues, on grounds of gaps between objectives of organisations and of individuals, of uncertainty and the need to economise, why such a system for management control is needed by a business organisation. Hussey (1999) defines an 'internal control system'<sup>106</sup> as a system of controls. It is therefore not surprising that Otley (1989) describes how general systems theory has been used as a framework for

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<sup>106</sup> It will be remembered (1.2 Management control and control assurance) that 'internal control' is assumed here to be synonymous with 'management control'.

management control system theory, while Otley, Broadbent and Berry (1995) note that systems thinking has had an important influence on management control systems theory.

In order to understand the theory of management control systems, an understanding is needed of general systems theory. Management control systems (MCS)<sup>107</sup> theory will therefore be explored briefly here in terms of those parts of general systems theory that has been used by management control theorists.

*Is a system essential to management control?*

However, before considering general systems theory, it is worthwhile to pause and consider whether management control must in theory be linked to a system. It was seen above that some authors, such as Macintosh (1994), Maciariello and Kirby (1994), and Simons (1995) appear to assume that management control must involve a system. Several professional pronouncements (COSO, 1994; CICA, 1994; IIA – UK 1998) define internal control not as a *system* but as a *process* designed to provide reasonable assurance regarding the achievement of objectives. On the other hand, the Turnbull Guidance (1999) refers to ‘internal control systems’. The UK Auditing Principles Board (APB), in their standard SAS 300 (1995) on Accounting and internal control systems, define an internal control system as including the control environment and policies and procedures adopted to assist in achieving various stated objectives. They also define ‘control procedures’ as policies and procedures “established to achieve the entity’s specific objectives” (APB, 1995, paragraph 10). It appears from reading SAS 300 that the APB envisage internal control as provided only by an internal control system, not by control procedures in isolation from the control environment nor by a control environment without control procedures. Among academic theorists Berry, Broadbent and Otley (1995, page 4) define management control as,

*“the process guiding organisations into viable patterns of activity in a changing environment”*

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<sup>107</sup> MCS is adopted as an acronym for ‘management control system’ by several theorists (Otley, 1983 and 1989; Maciariello and Kirby, 1994; Otley, Broadbent and Berry, 1995).

For them control is of an organisation that they view as a system. However, in discussing management control, they use the perspective of general systems theory, so perhaps they see the management control process as a system. This view, of a control process for an organisation seen as a system, is similar to that of Emmanuel et al. (1990, pages 7 - 8) for whom,

*“control is concerned with the processes by which a system adapts itself to its environment. That is, in a self-regulating system, such as a business enterprise, both the specification of objectives and the means of their achievement are internally generated and form part of the control process”.*

They then go on to discuss management control in terms of a systems model. Therefore, while many theorists in the English speaking world view management control in terms of systems, others see it as a process. However, for the latter, the management control process may represent a sub-system of the organisation, which is itself a system. The argument returns to what a ‘system’ is in the context of management control, while concluding at this stage that, for many authors, management or internal control is inextricably linked to the concept of a system.

*Axial respondents’ use of the word ‘system’:*

The diagrams for the 30 axial respondents’ views illustrate each of their perspectives of credit control. In contrast, other interviewees generally gave views on a specific aspect of a key category, or on the context for the study. In a few cases, other interviews did provide a reasonably comprehensive description of their view of management control, but these were not confirmed with them. Comparison is therefore restricted to the 30 axial respondents.

All but 6 of the 30 axial respondents used the word ‘system’. However, a further 5, of the 24 who saw ‘system’ as having some relevance to management control, were referring only to computer systems. A further 3 appeared to use ‘system’ for only part of management control, usually the formal and largely mechanistic part of management control. Therefore, only 16 out of the 30, just over half, referred to all of management control as a system. This suggests that practitioners do not universally refer to management control within an organisation as a ‘system’. However, this still leaves the question whether their perceptions of management

control corresponds to general systems theory, that is whether they adopted a systems approach to management control.

#### 14.7.2 MCS as systematic or methodical

##### *Theory:*

No attempt is made to provide a definitive description of general systems theory, but merely an outline of where MCS theory has drawn from general systems theory. It is done under this and subsequent headings, each identifying a feature of general systems theory.

Management control theorists sometimes use 'management control system' in the common everyday sense of a methodical way of doing something according to an organised method or scheme<sup>108</sup>. For example, according to Anthony and Govindarajan (1998, page 5),

*"A system is a prescribed way of carrying out an activity or set of activities; usually the activities are repeated ... a system is characterised by a more or less rhythmic, recurring, coordinated series of steps that are intended to accomplish a specified purpose."*

Anthony and Govindarajan (ibid.) describe management control processes as being 'systematic' when they conform to this definition of a system. Cybernetic models of management control systems, which are discussed below, are generally depicted as a methodical arrangement of control processes.

This process view of an MCS may correspond to the 'transformation process' in general systems theory, that is "the means by which defined inputs are transformed into defined outputs" (Checkland, 1993, page 224).

##### *Perceptions of systematic management control:*

All of the diagrams of the 30 axial respondents' perceptions of credit control included sequences of steps forming a process. Most diagrams included elements

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<sup>108</sup> Pearsall (1998, page 1883) includes in the definition of 'system' "an organized scheme or method". She includes in the definition of 'systematic' "done or acting according to a fixed plan or system; methodical".

that were subject to design, such as establishing procedures or using computer systems. In all cases it appeared that respondents were referring to control elements that they thought should be clearly established and methodically used, even if they did not form part of a formal control system. One axial respondent referred to the systematic nature of control as contributing to control assurance. In this case it appeared that systematic was used to mean following a clear methodical process. Another 3 axial respondents, as mentioned above, specifically referred what was formal and largely mechanistic in management control as a 'system'.

On the other hand, there were findings that a process is not always seen as contributing to management control. A Chinese tendency was found, and examined in Chapter 12, of looking more to opportunities, context and people than to processes for control assurance. This is represented by the box 'Room for manoeuvre more than process' in Figure 14.2. Also a Czech tendency was found in Chapter 11 for preferring the freedom to act on principle rather than to follow procedures. This is represented by the box 'Freedom: principle more than procedure' in Figure 14.2.

Therefore it is concluded that the views in this study show some, but not universal, consistency with theorists who see management control as being systematic.

#### 14.7.3 MCS as designed towards an end, goal or purpose

##### *Theory:*

Parker (1992, p. 276) defines a 'system' as "a group of related elements organized for a purpose." The definition of management control by Maciariello and Kirby (1994) and the definition of a system in the context of management control by Anthony and Govindarajan (1998), both referred to above, view management control as directed towards the purposes of an organisation. The UK external auditing standard SAS 300 (APB, 1995) defines an internal control system in terms of various objectives.

Lowe (1971) includes both objectives and 'designed' in his definition of a management control system. Maciariello and Kirby (1994) refer to the need to design an MCS so that it is able to achieve its purpose. Some form of design may also be implied by Otley (1989) who describes the study of management control

systems as including how diverse activities are co-ordinated so that they contribute to a desired result.

On the other hand, Otley et al. (1995) trace a historical development of management control theory from rational perspectives, which saw organisations and their management control as purposefully designed, to systems models of natural emergent control. Examples given of the latter view include Hopwood's (1974) behavioural view of organisational control, Dent's (1991) study of emergent accounting within the changing organisation of a European railway, and the political nature of management control examined in Chua et al. (1989). Otley et al. do not consider whether these emergent views are of management control systems, but they take a general systems theory approach to their analysis.

*Perceptions of management control designed towards an end, goal or purpose:*

The study set out with a definition of management control (see Appendix A) that referred to "objectives (standard, goal, objective or purpose)". This definition was discussed with all of the axial respondents. Control objectives were implicit in the question, asked by the researcher in the first meeting with each axial respondent. This was what he or she thought needs to be controlled and why. Therefore it would be unwise to interpret the views of axial respondents as seeing management control directed towards ends, goals or purposes. Although it can be noted that none of them expressed any unease with discussing management control in these terms.

Much of the perceptions of management control studied here are of informal control, rather than of elements formally designed and implemented for control purposes. This study therefore falls largely, but probably not exclusively, into Otley et al.'s (1995) category of studying natural emergent control.

14.7.4 Cybernetic model of MCS

*Theory:*

Norbert Wiener (1948, page 19) coined the word 'cybernetics' for "the entire field of control and communication theory, whether in the machine or in the animal" and launched it as a subject for study. He saw cybernetics in terms of feedback control

and homeostasis (Wiener, 1954). Cybernetics has been included as part of general systems theory, which has a wider ambit than cybernetics (Bertalanffy, 1968).

A cybernetic model of management control combines process, purpose (including aim, goal or standard) and information in one or more control loops. It therefore includes the previous two elements of control theory discussed here, namely a methodical process and a control objective or purpose. The control loop of cybernetic models of management control generally uses information for feedback control, such as described by Rathe (1957); in most models it also uses feed forward information<sup>109</sup>. Such a model has been widely adopted by management control theorists (Otley and Berry 1980; Otley, 1983; Willmer, 1983; Emmanuel et al. 1990, Maciariello and Kirby, 1994). Flamholtz (1983; 1996a and b; Flamholtz et al., 1985) puts a cybernetic model at the core of his model of organisational control. Some authors (Lowe, 1971; Anthony and Govindarajan, 1998) appear to adopt it, but without calling it a cybernetic model. Other authors on management control refer to it, even if they do not explicitly adopt it (Macintosh, 1994; Berry et al., 1995). However the cybernetic model of management control is not without criticism (Hofstede, 1978).

The cybernetic model has been further developed for management control by Otley and Berry (1980) to show possibilities for 2<sup>nd</sup> order control and for learning. Emmanuel et al. (1990) distinguish programmed from non-programmed decisions for feed forward control, based upon how much precision can be achieved with predictive models. Whether management control decisions are programmed or remain non-programmed depends upon the extent of uncertainty (Merchant, 1998), which can be either in the transformation process or in objectives that are unclear or ambiguous. An implication of whether management control is programmed or non-programmed is in where discretionary judgement must reside; that is, which managers within an organisation must make control decisions. Design of programmed control is by senior managers, who may dictate what and how activities are to be done. Execution of these programmed directions can then be delegated to more junior ranks (Anthony, 1965), who may be subject to Bureaucratic control. For

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<sup>109</sup> See Appendix A for comparison of 'Feedback control' and 'Feed forward control'.

non-programmed decisions, discretion must be left to those managers, perhaps close to business operations, who have best insight and predictive models as to what processes or immediate objectives will contribute towards wider organisational aims (Baliga and Jaeger, 1984; Macintosh 1994; Hamilton and Kashlak, 1999).

*Cybernetic perceptions of management control:*

All of the 30 axial respondents' diagrams of credit control were cybernetic in the sense of seeing communication of information being used for the purpose of control. 21 of these diagrams included control loops, such as a review of controls leading to possible intervention and adjustment of those controls. An example is included in Appendix C. No view is taken whether these control loops represent feedback or feed forward control.

It is interesting that interviewees in this study did not raise the distinctions made by theorists between feedback or feed forward control and between programmed or non-programmed control decisions. At first sight, trade credit management involves a number of standard control decisions, such as the following. To whom should goods or services be sold? On what credit terms? How should customers pay? What should be done if customers do not pay when expected? What information should be collected and monitored? Who should decide if an overdue debt is to be treated as a bad debt, and what are the implications of this decisions? Other recurring decisions, such as what product or service to sell, how much of it to sell, and at what price, are also important to trade credit control. Trade credit decisions were also seen as relevant to non-programmed strategic decisions such as managing an acceptable balance between risk and reward, and what markets and businesses the company should be in<sup>110</sup>.

Interviewees referred to a wide range of management control decisions that CoX and CoY had standardised, whether in formal procedures or other routines for how they conduct their business activities. Examples of standardised decisions that were discussed included how new staff should be recruited and on what criteria, organisational decisions of who should do what activities or take what decisions, and

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<sup>110</sup> This wide range of implications are reflected in the literature on trade credit control, for example Allen (1997) and Pike et al. (1998).

decisions standardised in procedures, IT systems or established routines. The products sold by CoX, services provided by CoY, and the processes by which these were delivered by both MNCs to customers, were to a greater or lesser extent standardised. International management of both MNCs gave considerable attention for their worldwide operations to common processes (*interview # 18*), or common standards (*interview # 957*), applicable for example to trade credit control, processes for delivery, and what sort of value should be provided to customers.

Perhaps the question of what control decisions are programmed or non-programmed was not seen by interviewees as relevant. This question was however neither raised by interviewees nor put specifically to them, because the theoretical sampling pursued control issues that emerged as being important to the axial respondents and other interviewees, not what might be seen as important in theory. This omission may have arisen from interviewees' lack of contact with theory of programmed or non-programmed decisions. Alternatively, this question may have been explicitly or implicitly understood, but there may have been other more important issues that occupied managers' concern about how to gain control assurance.

Several reasons appear for why the distinction between programmed and non-programmed decisions might not have been of great concern to interviewees. Firstly, programmed decisions may have generally been seen as not warranting management discussion, because routine processes might only enter the agenda of management control concern where change was identified as worthwhile. Managers might have been too busy to fix what was working.

Secondly, some routine decisions apparently subject to standardised criteria, i.e. programmed decisions, would have received attention from fairly senior managers. Examples included selection of recruits, approval of capital investments, and acceptance of high risk customers. In these cases management attention might have been focused on aspects of these decisions that could not be programmed, or only very approximately programmed. For example, the control element 'clear choices' in Appendix C refers to management decisions concerning trade credit exposure and risk<sup>111</sup>, so that risks and rewards can be managed within the context of the business

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<sup>111</sup> Risk is used as defined in Appendix A.

strategy. It might be imagined that balancing risk and reward within a business strategy might not be readily programmed. In this case apparently programmed decisions might warrant senior management attention, because of the wider and longer term implications of these decisions.

Thirdly, not all non-programmed decisions were matters for control concern. Much judgement was left to relatively junior staff. So long as staff members were trusted, they decided many non-routine matters such as when to visit a problem customer and what arguments to use in persuading the customer to pay on time. The quality of service provided, particularly by CoY, depended to a very considerable extent on the skill, expertise and judgement of individual employees. Reliance on judgement was reflected in concerns about assigning an appropriate person to a task or job (*interview # 1064*), and in concerns about reliability and integrity of staff (*interviews # 20, 254*). Therefore non-programmed decisions were so commonplace and left to junior staff that they did not necessarily enter managers' agenda of control concern except for the issue of whether staff had the knowledge, skill and integrity to make these non-programmed decisions.

Fourthly, the extent of uncertainty and resulting non-programmed nature of control decisions appeared not to be a sufficient reason for locating control decisions and instigating control initiatives. Instead of delegating decisions and control autonomy to the most senior managers who have an adequate predictive model, CoX and CoY appeared to operate on the basis of giving autonomy to all except where some guidance, instruction, procedure or system was warranted. Examples of major location decisions were the various regional and global initiatives being introduced within CoX (5.5.1 CoX). As far as the researcher could see, these had objectives of improving efficiency and of responsiveness to regional and global customers, rather than necessarily aligning decisions with the best placed predictive models. Whether because uncertainty was seen as endemic, or because of cost pressures, or because of preferred management styles, formal control methods appeared to be avoided except where they could be warranted. This seemed to be the preference among British managers who tended to favour empowerment, among Czech managers who tended to rely more on individual integrity than on procedures, and also among Chinese managers who tended to prefer reliance on interpersonal relationships than on formal

control processes and rules. Pressure of cost control, staff availability and competition were common to all of them.

Therefore, not only was the distinction between programmed or non-programmed control decisions was not raised by practitioners in their discussion of management control, but reasons can be identified for why the distinction might not have been of concern to them. They might perhaps have found control theory that dealt with parameters of cost, benefit, risk, culture and the social dynamics of change management pertinent to the challenges they faced. This however is conjecture because the researcher avoided putting any alternative management control theories to the interviewees in this grounded theory study.

#### 14.7.5 Holistic systems approach - interrelationships of parts

##### *Theory:*

Common meanings of 'system' include "a complex whole; a set of connected things or parts" (Allen, 1990, page 1238). The adjective 'systemic' may describe relating to a whole system (Pearsall, 1998). General systems theorists also see systems in terms of a whole comprising interrelated parts. For example, Bertalanffy (1968, page 38) defines systems as "sets of elements standing in interrelation". According to Checkland (1993, page 3),

*"The central concept 'system' embodies the idea of a set of elements connected together which form a whole, this showing properties which are properties of the whole, rather than of its component parts."*

Nicholson (1995, pages 551-2) describes 'systems theory' as follows:

*"This denotes broad meta-theory for describing the structure and behavior of complex wholes called systems. ... One key feature has to do with the notion of system itself and how it forms an organized whole ... behaving in a way that is greater than merely the sum of the behaviors of its parts"*

This feature of general systems theory is taken up among MCS theorists by Otley. For example (1980, page 423)

*"The simultaneous use of a wide range of control mechanisms serving multiple purposes makes it difficult, if not impossible, to isolate the effect of*

*any specific means of control. ... One way forward to greater conceptual clarification lies in the utilisation of a control systems framework."*

He sees the potential of soft systems thinking for 'organisational level of analysis' and for the study of management control of "situations involving greater amounts of complexity and uncertainty than we have techniques adequately to cope with" (Otley, 1983, pages 85 - 86).

*Holistic perceptions of management control:*

Axial respondents had no difficulty in envisaging credit control as a coherent interrelationship of control elements. An example is given in Appendix C. Accordingly, it is concluded that all axial respondents saw management control as some complex interrelation of elements. Several of them, however, admitted they had never before the study thought it through so comprehensively, as they had expressed in their interviews or was illustrated in the diagram of their perception.

3 of the axial respondents referred to management control in terms of an overall control framework, which itself contributed to control assurance. 16 axial respondents, including 2 of those who spoke of a control framework, referred to overall management control as a 'system'. Two further contrasting findings in Chapter 12 also suggest a holistic view of management control. A tendency was found of Czech managers being concerned whether they knew or understood whether the control system was working; it is represented in Figure 14.2 by the box labelled 'Understand system design'. This appears to imply some overview of the whole management control system. There was also the Chinese pattern of seeing management control in terms of opportunities and context, which is also represented in Figure 14.2. Unless these opportunities were for the individual manager, they referred to the overall business situation for the manager's organisation, rather than to a control element or sub-set of the organisation's overall management control system. There therefore appears to have been within this study a widespread, although not universal, view of management control in holistic terms.

Managers' holistic perceptions of management control are reflected also in the balance of topics that emerged during the study. Three aspects of these broad views are worth commenting on. Firstly, it was noted in Chapter 10 that managers were more concerned with informal than formal information for providing control

assurance. Examples of informal management control emerged in selective coding for other key categories. These included reliance on external relationships as opposed to formal contracts (Chapter 7), various types of responsibilities expected of colleagues and of subordinates, different expectations and perspectives on control issues by people in different roles (Chapter 8), expectations of team members, bosses and subordinates (Chapter 9), the Chinese tendency to rely more on people than on rules (Chapter 11), and assurance provided by opportunities and context, or by people as well as by formal control processes (Chapter 12). Management control clearly was seen as wider than the formal designed processes and control methods put in place for the purpose of control.

Secondly, management control was not seen as comprising merely planning, monitoring, evaluation and reward sub-systems as suggested in some literature (Flamholtz, 1983 and 1996; Birnberg and Snodgrass, 1988). Greater attention to the people aspects, as opposed to process aspects, of management control has emerged than is typical for much management control theory. Managers' concerns about people and attitudes of staff to control are reflected in findings concerning attitudes to internal relations (Chapter 9). They are also reflected in Appendix C, in the explanatory notes for the 'Teamwork', 'Independent objective counterbalance', and 'Understanding' control elements. This study may also, as mentioned above, have opened new areas of management control to comparative research, such as external relationships and contracts, accountability and types of responsibility, the nature of organisational relations, and attitudes to control processes.

Thirdly, management control was seen as more than production and use of accounting information. Appendix C shows a broad array of control elements beyond production and use of accounting and credit control information, such as procedures, authorities and responsibilities, supervision and staff appraisal, segregation of duties, teamwork, and the overall control environment. Management control was the concern of all managers. The implication for researchers, educators and students is that any focus just on accounting in the study of management control is a narrow restricted view. It would leave out much, if not the greater part, of what practising managers in CoX and CoY saw as important to management control. A multi-disciplinary approach to MCS would be consistent with Bertalanffy's (1968) description of the rise of general systems theory in order to bring a multi-disciplinary

approach to complex problems of science, social sciences, engineering and administration. Unfortunately, as noted by Fisher (1995, page 27) “relatively little research has been done on nonfinancial control systems.”

#### 14.7.6 Open MCS interacting with its environment

##### *Theory:*

The theory of open systems is concerned with systems that interact with their environment (Bertalanffy, 1968). Maciariello and Kirby (1994) consider a MCS to be open in the sense that it adapts to its environment. Otley (1989, p. 33) also applies open systems to MCS theory:

*“The MCS approach views an organisation as a controlled system, open to and interacting with a wider environment.”*

This allows a MCS to adapt to the changing environment for the organisation, and allows the scope of the MCS to include ensuring viability and survival of the organisation. Adaptation to a changing environment is included in Lowe’s (1971) definition of a MCS. Ensuring viability within a changing environment is central to the definition of management control by Berry et al. (1995). Otley (1989) describes this MCS approach, of an organisation interacting with and adapting to its environment, as a ‘systemic view’. de Leeuw and Volberda (1996) develop interaction of a MCS with its environment to explore flexibility and evolution through adaptability. Simons (1995) identifies belief systems and boundary systems as ‘levers of control’ through which a firm competes and positions itself within its environment.

##### *Perceptions of management control consistent with open systems:*

The 30 axial respondents were generally very aware of the business context for credit control. Diagrams for the perceptions of 27 out of the 30 included contextual factors outside their organisation. Perhaps not too much should be concluded from a tenth of axial respondents not giving sufficient emphasis to contextual factors for them to be included in their diagrams of credit control. This is because the question of whether they described management control as open or closed to the business environment was not pursued in the fieldwork.

The finding, already noted, of a Chinese tendency for concern about opportunities and context, also suggests a view of management control consistent with an open systems approach to management control theory. In addition, two managers (*interviews # 159, 879*) talked of the importance for control assurance of sending the right message to the market about how their organisation was prepared to do business.

The selective coding included a key category, namely business relations with external parties, which focused on control of how the organisation interacts with its business environment. This was unsurprising given the choice of credit as the area of control from which inquiries started. It may therefore reflect a bias of the study design. However, this bias was not only of the researcher, but also of the senior managers in CoX and CoY who suggested this area of control. No surprise was encountered among interviewees that credit control was chosen as the area of control from which to start inquiries. Nor was there any surprise that a study of management control should inquire into matters outside the organisation, such as economic conditions, external sources of information, and local regulation. It is therefore concluded, despite the potential bias of the research design, that interviewees saw management control in terms of open interaction with the environment in which their organisations operated.

These perceptions by managers of management control concerned with the organisation within its environment illustrates that 'internal control' may be a misnomer, if it indicates a scope limited to control of what is internal to an organisation.

#### 14.7.7 MCS as soft systems

##### *Theory:*

Checkland (1993) contrasts soft systems thinking for problems involving people to hard systems thinking typically used for engineering. Whereas the latter is concerned with problems, systems and objectives that are well defined, the former are not. Otley (1983) recognises that soft systems thinking is more likely to be applicable to MCS involving people, where objectives are often vague or ambiguous, decision processes may be ill-defined, and where only qualitative measures of

performance may be available. The problems of indeterminate or multiple goals and incongruity between objectives of an organisation and of its individual members have been of concern to MCS theorists (Lowe, 1971; Berry et al., 1995).

Simons (1995) takes a different approach to the problem of multiple indeterminate objectives. He maps out how an organisation can use its MCS to shape its strategy, within constraints of limited management time and how much information management can handle.

Soft systems thinking for MCS may be related to the historical development of 'natural models' of emergent management control, which was identified by Otley et al. (1995). Machin (1983) makes a similar contrast between seeing management control systems as 'systemic' or developing organically, as opposed to systematically designed for a well defined purpose. The soft systems approach to MCS recognises possibilities for negotiation and political dialectic over what objectives management control is to provide some assurance of achieving (Chua et al., 1989; Dent, 1991). Control objectives are no longer given and a MCS need not be deterministic. The soft systems approach provides a guard against possibilities for totalitarian control systems envisaged by Bertalanffy (1968, page 52):

*"We have a fair idea what a scientifically controlled world would look like. In the best case, it would be like Aldous Huxley's Brave New World, in the worst, like Orwell's 1984."*

*Perceptions of management control as natural or soft systems:*

All of the 30 axial respondents identified several objectives, which were identified in their diagrams of credit control. This number ranged from 3 to 17 objectives, although axial respondents who identified more than 9 objectives were distinguishing objectives between different types of business. 18 out of the 30 axial respondents' diagrams of credit control had some review or implied adjustment of the objectives towards which assurance was provided. A common example of implied adjustment was balancing objectives such as risk and reward. No one indicated that this adjustment would follow logically from a rational algorithm. These 18 axial respondents saw the control objectives as not fixed, but open to adjustment and challenge.

Another manager, who was not an axial respondent, saw problem recognition and changing the management mindset to recognise changing problems as very important to control assurance (*interview # 879*). According to this manager, control objectives were subject to control elements of problem recognition, changing mindsets and strategy. This formed an explicit control loop bringing adjustment of control objectives within the jurisdiction of management control. Such a loop breaks any dichotomy between those who control and those who are controlled, at least for those senior enough to feed into adjustment of the control objectives.

The Chinese tendency was noted of concern for opportunities and context. This also implies adjustment of objectives or of the strategy being pursued. The concern by managers of all 3 countries for people aspects of management control (14.7.5 *Holistic systems approach – Holistic perceptions of management control*) is a further aspect of open systems view of management control found in this study.

There were therefore a wide range of views expressed, that appear to be consistent with management control as a natural system, or consistent with soft systems thinking, where the objectives are open to debate and adjustment, rather than deterministic.

#### 14.7.8 Conclusions for management control systems theory

Although only just over half of the axial respondents referred to all of management control for an organisation as a 'system', there was broad consistency between the perceptions found here of management control and general systems theory. No pattern between managers from different countries was identified in the degree of this consistency to any aspect of general systems theory. This gives no reasons to doubt that there may be much potential application of a systems approach to management control within the Czech Republic and mainland China, as well as within the UK.

However, the analysis that can be done here is limited and tentative, because elements of general systems theory were not put to interviewees in the field. Therefore, it should not be inferred from this study that there might be no effects of national culture or of other cross-national contextual factors on the applicability of general systems theory to management control.

## 14.8 The substantive theory and accountability theory

'Accountability' appears in Figure 14.2 representing the British perceptions of obligations that were examined in Chapter 8. They were seen as a key distinguishing feature of how British managers gain control assurance. It is pertinent to compare these findings on accountability to the theory of accountability in order to ask whether this theory is applicable within Czech and mainland Chinese cultures. As with MCS and general systems theory, comparison is made only to accountability theory of the English speaking world. If accountability theory from the English speaking world is not applicable in Czech and mainland Chinese cultures, theorists, students and practitioners should question whether it is universally applicable. Alternatively it may be parochial (Adler, 1983) and not necessarily valid outside the cultures where it was developed.

### 14.8.1 Accountability theory

The concept of accountability is gaining attention in the public sector and public regulation of utilities in the UK and Australia (Stewart, 1984; Day and Klein, 1987; Otley, 1990; Levaggi, 1995; Sinclair, 1995; Armstrong and Tomes, 1996; Laughlin, 1996; Conrad, 1997). It is implicated in the rise of the 'audit society' (Power, 1997) in the UK, and as a principle underlying corporate governance relations between companies listed in the UK and their stakeholders (Cadbury, 1992; Committee on Corporate Governance, 1998). Hayes (1996) notes a growing demand for accountability within the Irish voluntary sector as charities become more open, they separate funding from management, and they take a higher profile in society.

Much of accountability theory is concerned with accountability between organisations, between organisations and their stakeholders and within the public sector. A comparison is sought between findings of this study and theory of accountability within organisations, or intra-organisational accountability. This wider body of theory is drawn on therefore only to assist understanding intra-organisational accountability.

Roberts and Scapens (1985, page 447) give a definition of accountability that is applicable within organisations, which is adopted here:

*"Accountability in its broadest sense simply refers to the giving and demanding of reasons for conduct".*

They link accountability embodied in accounting systems to rights of people to hold others to account, to responsibilities of those others, and to power relationships. Jones and Dugdale (1995) examine regimes of accountability within organisations. These include *accounting for* activities and outcomes, people *making an account* or narrative and explanation of their activities usually to their superiors, *holding accountable* someone who is responsible for both providing the account and for the activities and outcome that are the subject of account, and finally of construction of the 'accountable person'. The latter is someone so enmeshed that they are self accountable as a mirror of the regime of accountability.

Munro (1996, page 16) begins to open up the concept by asking:

*"Who is accounting to whom, over what?"*

Accountability, as a chameleon (Day and Klein, 1987), appears to differ with the circumstances (Sinclair, 1995). Attempts to find generalities for this chameleon may be helped by continuing Munro's (1996) questioning as shown in Figure 14.3.

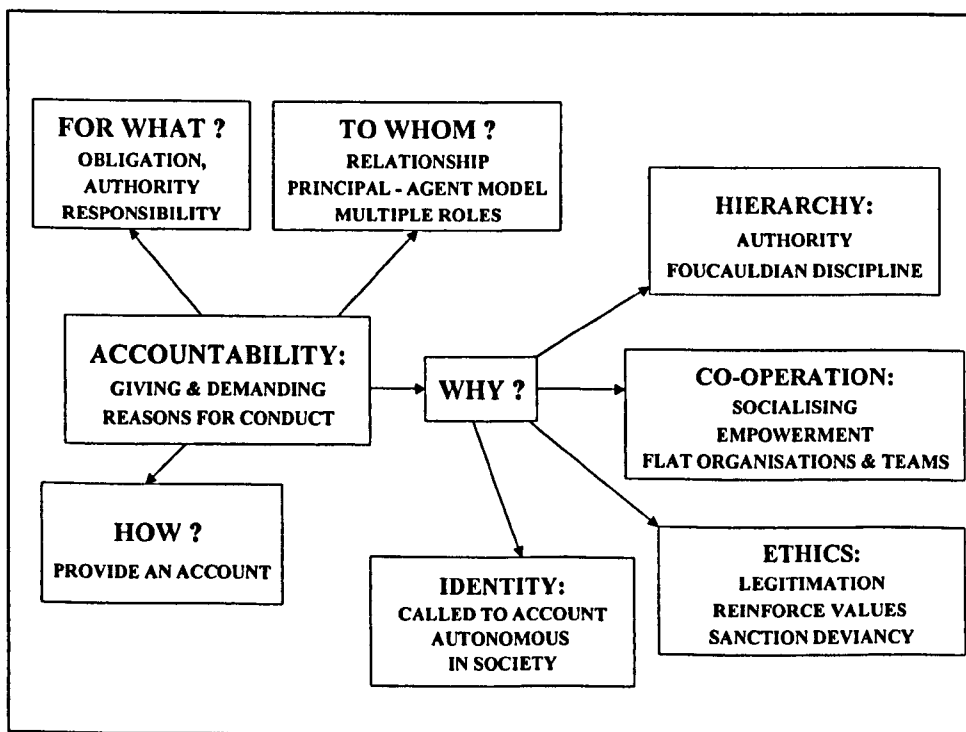


Figure 14.3: Questions underlying accountability<sup>112</sup>

<sup>112</sup> In this diagram, arrows indicate progression from what is general to what is more specific.

This shows four questions underlying accountability, namely how accountability is enacted, for what and to whom accountability is owed, and why it is important. Each of these is addressed in the following sub-sections.

#### 14.8.2 How? Providing an account

##### *Theory:*

Much commentary on accountability is in terms of management accounting or reporting by companies to the public (Ijiri, 1983; Roberts and Scapens, 1985; Gray et al., 1987; Otley, 1990; Roberts, 1991; Jones and Dugdale, 1995; Kirk and Mouritsen, 1996). It is reflected in financial stewardship (Day and Klein, 1987) and the phrase ‘fiscal accountability’ or the proper use of money (Hayes, 1996).

But this ability to provide an account perhaps more fundamentally reflects “making the invisible visible” (Munro, 1996 page 5) and offering openness and an artefact for scrutiny (Sinclair, 1995), irrespective of whether the information is in terms of monetary units. Day and Klein (1987, page 22) see growth in this emphasis on transparency:

*“The other theme that emerges from the debate of the past ten years is the emphasis on accountability seen as openness. Effective scrutiny implies effective access to information.”*

##### *Findings:*

In contrast to British managers, Czech and Chinese managers in this study tended not to see the ‘giving and demanding reasons for conduct’ (Roberts and Scapens, 1995) with respect to responsibilities as important to management control. There was little if any concern for providing “an account ... or reckoning of the actions for which one is held responsible” (Gray, Owen and Maunders, 1987). As explained, this does not imply that accounting information was not important to them.

British managers’ concern for transparency, that is for clarity of understanding through openness and visibility, appeared at times to go beyond what is required for monitoring conduct. Transparency appeared to enhance the value of information.

Transparency and wide availability of information seemed to be overshadowed by Czech managers’ concern for accuracy and truth. In contrast to apparent British

willingness to be open with information, Chinese attitudes appeared to devalue information according to how widely it was held. Furthermore, Chinese concerns were with truth relative to the particular interpersonal relationships rather more than Czech concern with absolute truth. Therefore “making the invisible visible” (Munro, 1996, page 5) and offering openness for scrutiny (Sinclair, 1995) seemed to be relatively unimportant to Czech views and alien to Chinese views.

Little concern among Czech and mainland Chinese managers about providing an account raises the question of what other control components take the place of accountability in providing control assurance. This will be returned to when all four questions depicted in Figure 14.3 have been addressed.

#### 14.8.3 Accountable for what?

Visibility raises the second question in Figure 14.3 of what is to be made visible. Roberts and Scapens (1985, p. 447) refer to “reasons for conduct”.

According to Sinclair (1995, page 220):

*“In its simplest sense, accountability entails a relationship in which people are required to explain and take responsibility for their actions”.*

This is reflected in her accountability aspects of an obligation, part of a job contract, and the relationship of accepting authority.

Gray et al. (1987, page 2) focus on responsibility:

*“Accountability means the onus, requirement, or responsibility to provide an account (by no means necessarily a financial account) or reckoning of the actions for which one is held responsible. ... If responsibilities do not exist, then there is little logical reason to concern oneself with accountabilities.”*

Or again, as Day and Klein (1987, page 5) write:

*“one cannot be accountable to anyone, unless one also has responsibility for something.”*

Sinclair (1995) identified variety in what chief executives of public agencies described themselves as accountable for. There was political accountability for the exercise of authority on behalf of elected representatives, wider accountability to the public, managerial accountability within their managerial hierarchy, professional accountability, and personal accountability as fidelity to personal conscience.

Variety is also analysed by Stewart (1984). His ladder of accountability ranges from accountability for probity and legality, through process and performance accountability, to accountability for programmes and policy.

A common theme appears to be accountability for action for which one is deemed to be responsible for. That, however, still leaves the question of who is responsible to whom.

#### 14.8.4 Who is accountable to whom?

##### *Theory:*

This third question, illustrated in Figure 14.3, is put by Day and Klein:

*"To talk of accountability is to define who can call for an accounting, and who owes a duty of explanation" (1987, page 5).*

Gray et al. (1987) and Laughlin (1996) both attempt to answer it with models of a principal and an agent between whom there is an explicit or implied contract. Although these models differ, common elements are the relationship between the parties, and demands or expectations for both action and supply of some account or information on that action.

Accountability can therefore be seen as a property of a relationship (Ijiri, 1983). Any role however may typically have relationships with multiple 'principals' (Sinclair, 1995; Laughlin, 1996), and most managerial positions involve multiple roles.

Accountability to multiple people or interest groups complicates not only the relational nature of accountability, but also what one is accountable for. Groups may differ in their interests for which they expect an 'account'. Therefore a manager or organisation may be accountable to one interest group for a set of issues, and at the same time be accountable to another interest group for another set of issues (Hayes, 1996). Multiple accountability to different interest groups, and for different responsibilities, often requires difficult compromises (Sinclair, 1995). It is a feature of the multiple roles that we play within society. Social construction of roles in society will be considered later under accountability for identity.

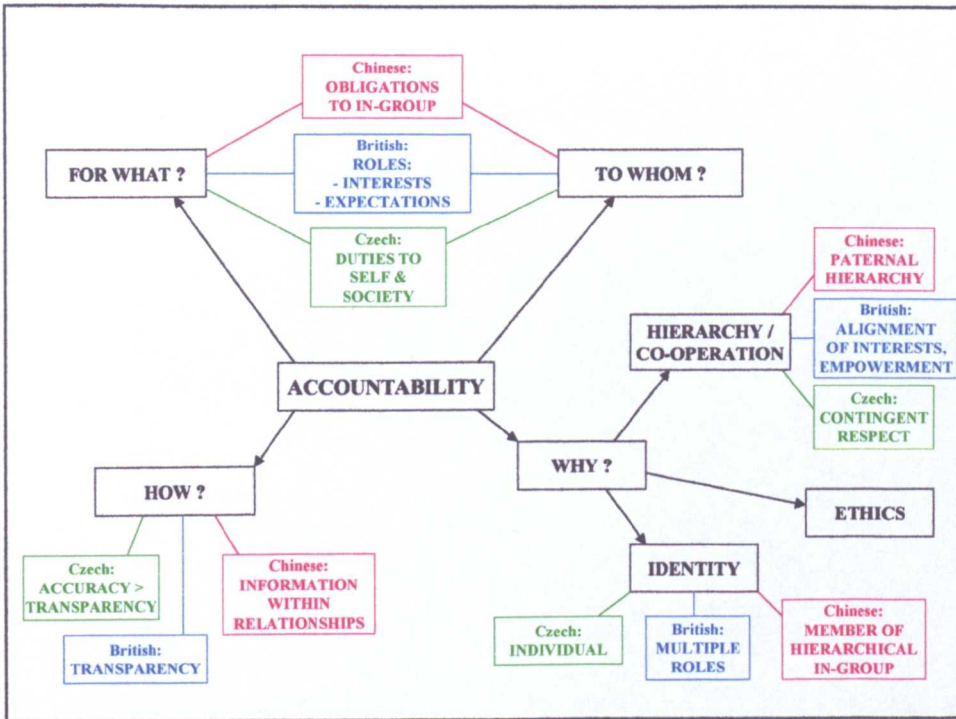
*Findings of accountability for what and to whom:*

Multiple and potentially different responsibilities dependent upon roles, as described by Sinclair (1995), Roberts (1996) and Hayes (1996), seemed to be generally consistent with views of British managers in this study. Several talked of 'silo' mentalities or 'functional cultures' that were determined by the particular role taken at a particular time and place.

In contrast, Czech managers appeared not to see responsibility in terms of relations with other people. Czech responsibility appeared to be predominantly personal integrity, a matter of conscience and understanding duty to oneself and to society.

Chinese concern for interpersonal relationships was at the opposite extreme to apparent Czech apathy. Chinese responsibility was described in terms of duties to specific people, such as bosses, subordinates, colleagues or others with whom there was a personal relationship. Where these depend upon membership of in-groups and long term *guan xi* or *ren qing* type relationships, they may be less specific to jobs and functions than expected by British managers. The principal agent model adopted by (Gray et al., 1987) may be more difficult to apply in Chinese than British society, because interpersonal relationships were found to be more important to Chinese managers than were contracts for regulating external relations.

These contrasting British, Czech and mainland Chinese tendencies in views on obligations for what and to whom are illustrated in Figure 14.4. This figure, which refers to the four questions depicted in Figure 14.3, also shows the contrasting tendencies for British preference for transparency compared to those for Czech preference for accuracy and for mainland Chinese preference for information kept within relationships. It will be referred to again when comparing findings to reasons why accountability may be important.



**Figure 14.4: Relating findings to accountability theory**

#### 14.8.5 Why? Hierarchical and socialising accountability

##### *Theory:*

Hierarchical (Roberts, 1991 and 1996) or managerial accountability (Sinclair, 1995), as shown in Figure 14.3, exists between a superior and his or her subordinate. Gray et al. (1987) describe this sort of relationship in their principal and agent model of accountability. It appears in the accountability aspects of authority and job contracts (Sinclair, 1995), and also in Ahrens' (1996a and b) descriptions of both hierarchy maintained with management accounting in British brewers and functional hierarchy in German brewers.

Roberts (1991 and 1996) criticises hierarchical forms of accountability for over emphasising the individual over co-operative action. He contrasts hierarchical or individualising forms of accountability to socialising forms of informal accountability. The latter refer to lateral relationships that are not enforced by power relationships of a hierarchy; they acknowledge interdependence between people. This has some similarities with Hayes' (1996) comparison of accountability in *gesellschaft* associations, where relationships are contractually derived, and

accountability in private and spontaneous *gemeinschaft* associations<sup>113</sup>. Similarly, Laughlin (1996) contrasts low trust contractual accountability, based upon tightly defined demands for action and information, with communal accountability based upon greater trust and having less definition of expectations. There may also be some parallel between socialising, *gemeinschaft* and communal accountability, on the one hand, and on the other hand Katzenbach and Smith's (1993a and b) team or mutual accountability based upon commitment and trust. Advantages of socialising accountability include greater potential for unleashing co-operation and empowerment and for being more compatible with learning (Munro, 1996; Roberts, 1991 and 1996). Academic concern about shortcomings of hierarchical accountability and possibilities for empowerment appear to be paralleled in practice by flatter organisations that move away from hierarchical control, as described for Levi Strauss (Howard, 1990) and United Airlines (Flint, 1995) in USA, and the Rover Group (Arthur, 1994) in the UK.

*Findings:*

Roberts' (1991 and 1996) concern for the over emphasis by hierarchical accountability on individuals and for diminution of socialising accountability, is interesting within the context of this study. Here it was the British managers who tended to have the lowest concern for hierarchy and greatest concern for roles and relations with peers. In contrast, the Chinese managers and subordinates tended to place greatest reliance on hierarchical responsibilities. In Chinese society it appears that interpersonal and inter-organisational relations are mediated rather more by vertical lines of authority and allegiance (Boisot and Child, 1988 and 1996; Ch'ng, 1997) and by in-group relationships of *guan xi* (Ch'ng, 1997; Child 1994; Yang; 1994) than by free forming roles. That is to say, tasks tend to follow relationship

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<sup>113</sup> The similarities have limits. For example, *gemeinschaft* relations, such as between parent and child, may involve hierarchy (Parsons, 1949). Hayes (1996) makes a 3 way comparison between accountability in *gesellschaft*, *gemeinschaft* and bureaucracy types relationships. The bureaucracy type of relationship "when task accomplishment is supreme" (*ibid.*, page 97) was not apparent in this study.

rather than, as is the tendency in British society, relationships arise from roles and tasks.

Under a Confucian view of society, ordered hierarchically within family and state, concerns about potential ethical conflict between socialising and hierarchical forms of accountability would be rather different than put by Roberts (1991 and 1996). Traditionally, so long as the Emperor retained 'the mandate of heaven', ethics supported 'benevolent government' (Mencius, 1970) rather more than rights of the individual. In this case appeals over the heads of 'principals' to higher ideals (Laughlin, 1996) might lead back to the hierarchy of Chinese society.

A tension was seen here between Czech tendencies for contingent respect for bosses or leaders and loyalty of individuals to themselves. This has a parallel with the concern of Ahrens (1996b) and Roberts (1991 and 1996) about the constraints of hierarchical accountability. Therefore it was among Czech rather than British interviewees that concerns about hierarchical relations were evident.

Hayes' (1996) analogy of *gemeinschaft* and *gesellschaft* relationships to explain accountability is both informative and curious. It is informative because it provides metaphors for the poles of a spectrum running from Chinese interpersonal relationship based obligations, through British role based obligations, to Czech individual based obligations. As noted, Chinese views were generally in terms of interpersonal relationships with resulting duties to specific people identified in the relationship. These were sanctioned by institutional norms, which may be closer to *gemeinschaft* association as described by Parsons (1949). In contrast, *gesellschaft* type contractual relations between calculative self interested individuals seemed to be the fabric of Czech views of internal organisational and external business relations. Moderation was by institutionalised norms of how people should behave as individuals. British obligations of role based accountability may be seen as a combination of *gemeinschaft* relationships between people related through reciprocal roles and *gesellschaft* agreements between self interested free agents who negotiate their roles.

Hayes' (1996) analogy however looks curious because it does not fit any association with hierarchy nor with spontaneity. Any link seen between Roberts' (1991 and 1996) concern for lack of co-operation in hierarchical accountability and *gesellschaft*

type impersonal relationships breaks down in this study, where Chinese obligations were found to be mostly hierarchical and interpersonal. Hayes sees *gemeinschaft* relationships as spontaneous in comparison to *gesellschaft* relationships as contractual. Nothing was seen in this study to suggest that Chinese obligations tended to be more spontaneous than British or Czech obligations.

#### 14.8.6 Why? Accountability as social construction

*Theory of accountability as social construction of identity:*

*"Garfinkel highlights the pervasive nature of accountability practices through which human beings render the world, including themselves, 'observable-and-reportable' in those ways that are commonsensical to other members who share this way of accomplishing a commonsense world ... (without) these everyday accountability practices, the intersubjective world would collapse into the void of solipsism" (Willmott, 1996, page 27)*

*"To be held accountable holds a mirror up to an action and its consequences in a way that creates focus within the stream of lived experience; the focus of being an individual. Self is reflected and confirmed by being called to account to others." (Roberts, 1996, page 42)*

Accountability is thus not just a personal attribute (Sinclair, 1995), but part of the social construction of who people are within society (Munro, 1996). However, it follows that accountability depends upon how the individual self is socially constructed as being autonomous, as capable of self-determined activity and responsible for his or her own conduct (Willmott, 1996). So, while there is not much accountability where there is no responsibility (Day and Klein, 1987; Gray et al., 1987), responsibility is itself a social construction.

*Theory of accountability and social construction of ethics:*

Interdependency between accountability and ethics begins to emerge when accountability is seen in terms of social construction. Accountability both plays a part in the social construction of values, and depends upon the values that are socially constructed. As identity becomes socially constructed, so also do the values of the particular society: common interests are legitimated by public social support

and become ideologies when upheld in society by experts of theory and religion (Berger and Luckman, 1967). Society gives itself an account of the values to which it conforms. At the same time, accountability may be part of the enforcement processes for social values. Giving visibility to an account that is inconsistent with values of a group may lead to social sanction or ultimately loss of membership from the group (Munro, 1996). This is reflected in Sinclair's (1995) personal accountability and in Ahrens' (1996b) reference to internalised Foucauldian discipline implicit in hierarchical accountability.

Roberts (1991 and 1996) is concerned about the moral implications of hierarchical accountability, which excludes ethical considerations and encourages inequalities. He maintains that the apparent objectivity of hierarchical accountability, such as the neutrality claimed for accounting, denies the moral assumptions on which accountability within society rests.

Accountability as social construction also points to dependency of accountability on its historical and cultural context (Willmott, 1996). As put by Sinclair:

*"How we define accountability is dependent on the ideologies, motifs and language of our times" (1995, page 221).*

Different societies construct their reality and identities in their own ways, each ensuring internal consistency, tending towards a monopoly of truth, while distinguishing, and in some cases ostracising, foreign untruths (Berger and Luckmann, 1967). How the process of accountability, as part of this institutionalisation of reality, is acted out therefore depends upon the cultural uniqueness of the society that it plays a part in constructing. This is illustrated in Day and Klein's (1987) historical explanation for how modern public accountability in the UK grew from initial simple political accountability at the time of Aristotle in Athens, through feudal concepts, theories of contractual government by Locke and of representative democracy by J.S. Mill. It was developed in practice by reforms of Gladstone, and had to develop in order to match the growing complexity of modern government involving local and central governments, the Welfare State, QUANGOs, and emerging professionalism.

It is therefore worth noting from which societies this literature on accountability theory has appeared, although this review of literature on accountability does not pretend to be representative, let alone comprehensive. Much of it is from the UK,

which is not surprising because this is where this researcher is based. Other countries of the English speaking world are represented by USA (Ijiri, 1983; Katzenbach and Smith, 1993a and b), Canada (Kirk and Mouritsen, 1996), Australia (Sinclair, 1995), and Ireland (Hayes, 1996). Germany is represented by Ahrens' (1996a and b) comparison of German and British breweries. Denmark is represented by Kirk and Mouritsen (Kirk and Mouritsen, 1996; Munro and Mouritsen, 1996).

*Findings on accountability as social construction of identity and of ethics*

This study did not inquire specifically into social construction of identity or of ethics. However, evidence emerged suggesting rather different cultural views of identity.

British perceptions tended to be of individuals as employees and as team members playing out a number of roles. Explanations and accounts of how someone acted in a job signalled to fellow members of the organisation what role was being played. Fellow organisational members may have supported or disapproved of these signals. Roles, identified by jobs and functions, were seen in terms of expected tasks to be performed by a position holder, his or her perspectives on the tasks, and also the interests that he or she brought to achieving shared objectives and control assurance.

For Czech managers, identity seemed to be of individuals, who chose whether to give their allegiance to leaders, to join teams, to commit their energies to an organisation, and to give or withhold their respect for others. Responsibility as an individual in the world tended to take the place of role based accountability to others.

For Chinese interviewees, identity seemed to be defined by membership within in-groups, which might be an extended family and personal *guan xi* or *ren qing* relationships. The process of social construction of identity may perhaps therefore be within a different scope of society than is usual for the English speaking world. This may have implications for how theory of accountability as a social construction could be applied (Munro, 1996; Willmott 1996).

Comparison of the study to social construction of ethics is more tentative, because the findings pointed less clearly to ethics than to identity. However, the tensions apparent in the different forms of identity give some indication of underlying social values. Various British tensions concerning accountability appeared with empowerment, whether sought in order to engage employees' capabilities or to foster

their development. Firstly, there was a tension between empowerment and the need for checks and balances on how subordinates used that empowerment. Secondly, there was a tension between fostering subordinates' development and inviting their failure by giving them scope to extend beyond their abilities. Thirdly, there was a tension between empowering managers so they could fulfil their capabilities and the dangers of allowing them to have conflicts of interest. Perhaps these British tensions represent shared values both of fulfilment for individual people and of how they behave in their roles within society. The latter could be manifest in concern that there be no conflicts of interest, and also in concern that there should be transparency so that society can see that there is no conflict or abuse of interest.

Czech tensions concerning obligations of responsibility appeared to centre on integrity of individuals. On the one hand individuals should be respected for their opinions, and for their identity as individuals. On the other hand, respect for authority was contingent upon the ability, knowledge and experience of individuals in position of authority. It was also contingent on understanding, by individuals subject to authority, of the logic for why directions should be followed. Besides managers' concern about the integrity of their subordinates and people they did business with, numerous examples emerged during the study of concern about corruption by individuals in society at large. The greater importance of integrity of individuals than of roles, in Czech society, is reflected in the greater Czech concern seen in this study for absolute truth than for transparency.

Mainland Chinese tensions concerning obligations of responsibility appeared to centre on attitudes of people to their relationships. Concern about interpersonal attitudes seemed to be implicit in discussions of relationships between bosses and subordinates, whether subordinates would respect and support their boss and whether bosses would reciprocate that trust by looking after their subordinates. Interpersonal attitudes also underpinned *guan xi* and *ren qing* relationships and examples of relative truth. These interpersonal attitudes are represented by the Chinese meaning for sincerity of how one behaves in relationships (Ch'ng, 1997), which is based upon the Confucian virtue of *xin* and is related to loyalty (Dawson, 1993).

*14.8.7 Implications for accountability theory*

It may well be that giving an account of oneself is an important mechanism in the social construction of identity within mainland Chinese and Czech society. Yet the theory of accountability from the English speaking world and Northern Europe, as identified in these questions of 'How?', 'For What?', 'To whom?' and 'Why?', does not fit what was found in this study for Czech and mainland Chinese managers. This comparison to findings in this study suggests that this theory, developed in the English speaking world, Germany and Denmark, is not applicable in cultures of the Czech Republic and mainland China. It appears to be parochial.

Accountability has been contrasted to different concepts of responsibility. Transparency has been contrasted to other attitudes concerning information. If accountability is not important to Chinese and Czech views of control assurance, on what alternative concepts do these managers base their control assurance? For Chinese managers the strength and reliability of interpersonal relationships was generally important; their control assurance seemed to rest more on reliability of people and relationships than on management control as a system. Czech managers tended to see management control as a well designed system; within this, many seemed to put some assurance on integrity of individuals and people understanding their responsibilities. British managers, like Czech managers, tended to see control assurance in terms of a management control system or framework, within which accountability plays an important part. However, in contrast to general Czech views, they tended to place less reliance on the overall system design and integrity of individuals than on checks and balances between a variable array of control components and perspectives from different roles.

***14.9 Conclusions for the substantive theory***

A skeletal theory for the substantive area has been put forward for differences in perceptions of gaining control assurance by British, Czech and mainland Chinese managers working for 2 MNCs. Although each person was found to have a unique perception, significant patterns emerged between managers from different countries. These patterns have been related to a broad variety of contextual factors.

These include national culture, both in terms of measured cultural dimensions and qualitative cultural characteristics. Possibilities have been identified for complex

interrelations between the contextual factors and also between them and perceptions of gaining control assurance. This is a move away from the deterministic assumptions of most prior comparative research into management control to a middle range stance between determinism and voluntarism.

The holistic grounded theory approach has allowed, it is thought, some insight into emic features of perceptions of management control, such as Chinese paternal hierarchy. It has also opened to study new management control elements apparently not studied before in comparative research such as, external relationships and contracts, accountability, the nature of internal relationships and attitudes to control processes.

The holistic approach of this study, while not claiming to show a comprehensive picture of managers' perceptions of management control, illustrates how accounting forms only part of how managers gain control assurance.

A drawback of taking a grounded theory approach is that comparison to existing theory is made only when the substantive grounded theory is complete. It was not possible to return to the field in order to put to the interviewees points that emerged from comparing findings to prior theory. Nevertheless some conclusions can be reached from such comparisons to prior theory. Management control was spoken of as a 'system' by only 16 out of the 30 axial respondents. The term 'management control system' is not in universal usage. Nevertheless, many of the features of general systems theory, that are found in theory of management control systems, were reflected in how interviewees talked about their perceptions of management control. An example of this was soft or natural systems thinking, as more than half of the 30 axial respondents saw control objectives not as fixed and deterministic but as open to adjustment or negotiation.

Unlike, management control systems theory, accountability theory was not found to be consistent with the findings of the study for Czech and mainland Chinese perceptions. This suggests that accountability theory, as developed largely in the English speaking world, is parochial and not universally applicable throughout the world.

## CHAPTER 15

### LIMITATIONS, CONTRIBUTIONS & FUTURE RESEARCH

This chapter concludes the dissertation. It discusses the limitations of the research, summarises the contributions made to theory and practice of cross-national management control, and outlines implications for future research.

#### ***15.1 Limitations and conclusions for the research question***

Limitations of this study are considered firstly in terms of the methodology and method of how it was done, and secondly in terms of what did not appear in the findings and substantive theory. This section finishes with conclusions for the research question.

##### *15.1.1 Methodology and method*

###### *Ideational view of culture:*

This research has taken a predominantly ideational view of national culture. It has therefore not met the calls by Bhimani (1999) and Harrison and McKinnon (1999) for abandonment of the ideational approach to researching national culture. Nevertheless it is maintained that the contributions that can be made by this type of research are still potentially substantial, so long as research assumptions move away from the functionalist stance that has dominated most empirical comparative research in management control.

###### *Static research not dynamic interaction:*

Bhimani (1999) suggests that basing empirical research in this field on new institutional theory (Powell and Dimaggio, 1991) or new history may open possibilities for inquiry into the social dynamics of how management control practices diffuse between organisations and are negotiated within them. This study has not adopted either of these approaches. It is limited by taking a largely static view of perceptions of management control in a cross-sectional inquiry. It has not inquired into how management control, or perceptions of management control, might

have been changed or adapted, or have evolved. This limitation may perhaps be one reason why the study did not identify differences in attitudes to managing change.

*Strauss' not Glaser's version of grounded theory*

Adherents to Glaser's (1992) rather than Strauss' (Strauss and Corbin, 1990 and 1998) version of grounded theory may take exception to the method adopted here. In particular they may object to the research question that was taken to the field, rather than emerged from field data. Accordingly, framing of the research question 'forced' the research down a particular avenue of inquiry. They may argue that 'forcing' of the original research question and the process of open, axial and selective coding resulted in imposition of the researcher's prior assumptions and research process upon the grounded theory (Glaser, 1992).

There may be some merit in such objections. However care has been taken to monitor researcher bias, which is considered below, and to ensure that the research process does allow managers' perceptions of management control to be well reflected in the findings (see Chapter 4 including references to columns in Figure 4.1 for Reliability and Validity). More fundamentally, such objections do not address the fundamental issue of what method would have been most appropriate for the research problem chosen for this study. It is maintained here (3.3 *Grounded theory case study as middle range approach*) that, once the research question was justified, and the researcher chose to inquire into it, Strauss' version of grounded theory was a more promising method.

*Researcher bias:*

This cross-cultural research has been limited by the theoretical sensitivity of a single researcher. Bias from his own culture was unavoidable. A study that is free of constraints of Ph.D. research could benefit from wider perspectives and reduced cultural bias of multi-cultural research teams. However, some bias is always inevitable. It is the other side of the coin from theoretical sensitivity. It is an essential ingredient of ideographic research. Examples of where bias of the researcher could have had considerable impact on the results include identification of categories and in scaling the opinions of interviewees according to the strength of their opinion.

*Bias of those researched:*

The research set out to be sensitive to the perceptions and views of managers who were the subjects for this research. Views of some outspoken managers could have led the study into avenues of inquiry and categories that might be untypical of the usual control perceptions for managers in MNCs in the 3 locations, or even of views in CoX and CoY. As a particular example of such respondent bias, the study may have been swayed by whatever control concerns were topical and at the front of managers minds when the study was conducted.

However, two safeguards in the design of this study are likely to have considerably reduced the influence of individuals or of topical concerns on the findings. Firstly, study of management control perceptions in 2 MNCs will have reduced the influence of current management control concerns of management in either one of them. Secondly, inquiry into management control at a generic level of the control components represented by the 6 key categories will have reduced the influence of specific incidences, such as bad debts, or specific control weaknesses that managers were concerned about. Instead, discussion with managers of specific incidences or concerns has, it is maintained, stretched and tested the grounded theory against their real world problems of how to provide control assurance in a multi-cultural environment.

*Unrepresentative samples:*

Sampling in this study was according to the principles of theoretical sampling (Strauss and Corbin, 1990 and 1998). Interviewees were therefore selected not because they were expected to have representative views, but because they were expected to have a variety of views that could generate, extend and ultimately support or challenge the emerging grounded theory. Interviewees within CoX and CoY should not be seen as representative of views within the 6 sites studied. Data was also included from interviewees from outside CoX and CoY, while interviewees within these MNCs gave some opinions on practices outside their organisations in order to illustrate their views on cultural differences and local practices. If this study had used nomothetic methodology, its findings should be seen as representative only of those selected for the study. It is maintained however that, in terms of middle range methodology, the emergent grounded theory is indicative of the views held by

managers within CoX and CoY in the 6 sites. This claim is based on negative case analysis, on checking preliminary findings with 7 cross-culturally experienced managers in CoX and CoY, and on presenting interim findings<sup>114</sup> to senior managers of the two MNCs.

The patterns of differences in perceptions found here are also likely to be indicative of the sort of views held by managers in MNCs operating in the UK, Prague and Beijing. Contingency theory (Otley, 1980; Fisher, 1995) tells us that the configuration of management accounting or management control in an organisation depends upon the particular set of contextual variables for the organisation. These include the external business and market environment, the industry, the organisation's competitive strategy, the size and structure of the organisation, nature of its products (or services), its technology, the complexity of its product (or service) transformation processes, and what knowledge it has of these processes. It is reasonable to imagine that managers in different MNCs with different management control systems may have different perceptions of management control. Some control for these contingency variables has been achieved in this study by studying managers from two MNCs from different industries, one delivering products and the other providing services; their organisation structures, technology and transformation processes are very different. The study has focused on managers' perceptions that are not appreciably different between the 2 MNCs, but do show major differences according to the country that managers come from. These patterns of perceptions within CoX and CoY have been checked against views of other managers and sources in the 3 locations. It is therefore reasonable to suppose that similar views may be found in other organisations in these locations, particularly but not exclusively among managers of other Western MNCs.

*Transferability not generalizability:*

It has been argued here that theoretical sampling used for grounded theory research (Eisenhardt, 1989; Hammersley, 1989), and analytical generalisation for case study

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<sup>114</sup> These interim findings were at an advanced stage towards the final grounded theory. They included or drew on diagrams very similar to Figures 7.1, 8.1, 9.1, 10.1, 11.1 and 12.1 for the 6 key categories, and were summarised in a diagram similar to Figure 14.2.

research (Scapens, 1990; Yin, 1994), are insufficient to support statistical inference as to what may be expected in wider populations (see 4.3.2 *Selection of data sources*). Generalisation of findings from field data can be made to a grounded theory, and a grounded theory may be transferred to specific situations that are seen to have sufficiently close fit with the substantive area of the research. However, it is maintained that a grounded theory cannot be generalised, in the positivist sense, to populations at large. Care must therefore be taken in how the findings and substantive theory from this research are used. They can be used to explain cultural differences in perception that practitioners may find when working with people from a different country. They may be used to illustrate the sort of differences in perception that practitioner or researchers may find in different countries. But they cannot be used to predict what will be found in different countries or cultural settings.

Great care should in particular be taken if this substantive grounded theory is taken to indicate what may be expected in cultures outside the UK, Czech Republic and mainland China. Bond (1996, page 225) warns that,

*“There is no identifiable constellation of values to all Chinese. Secondly, these studies reveal considerable variation among so-called Western nations.”*

More fundamentally, Usunier (1998) points out that those who assume similarities between cultures tend to ‘crash down’ the complexity of cultural phenomena in order to find etic commonalities. Instead he argues for cross-cultural knowledge to emerge as reality of shared meaning at the multi-study level. In other words, it is better to take an emic approach in each culture and then to seek shared meanings, than to assume similarity and then to test it.

The grounded theory from this study should be viewed as a skeletal theory (Laughlin, 1995). Other researchers, or indeed practitioners, may transfer it to other situations where they judge it applicable. It may then aid understanding and learning. No claim is made here as to whether exactly the same constellation of difference in control perceptions would be found in other settings.

*Credit control as starting point:*

The field work inquiries developed from questioning axial respondents about credit control as a specific area of control. Nevertheless discussions moved beyond credit control and selective coding was concerned with control issues that are generic to management control. The question arises whether different findings and a different grounded theory might have been reached from a different starting point. It seems most unlikely that the findings for each key category in the selective coding would have been different, apart from possibly external business relations, because discussion for these key categories was generic to management control. However, it is possible that a slightly different set of key categories might have emerged had the fieldwork started from another area of management control.

*Company and industry effects:*

This study inquired into differences in control perception of managers from different countries. Differences of perception between CoX and CoY were watched for and tested in case these appeared as differences by national culture. But differences in perception between managers of the 2 MNCs were not pursued as part of the study. Indeed large areas of differences in control perceptions were excluded from the study because they were expected to represent differences between the MNCs or their industries. Examples of such differences in perception, excluded from the study, were quality control for products and services, customer selection and retention, performance measurement and reward systems, and control of industry specific risks.

It is possible that these company or industry effects interacted with, or even masked, some differences in perceptions between managers from different countries. It is also possible that some of these differences between national cultures, which were therefore not studied here, may be important to perceptions of management control.

*Location effects have not been excluded:*

Patterns have been identified of differences in control perceptions between managers from different countries. Explanations for these were found in both national culture and contextual factors for the location. It was recognised that differences in perception attributed to national culture might have arisen from location effects rather than from national culture. Corroborative statistical tests to separate

differences by managers' country of upbringing from differences by location were inconclusive. They were inconclusive both because data was gathered on perceptions of too few expatriate managers, and because of the complex effects that working away from their home country might have had on expatriate managers' control perceptions. The alternative hypothesis, that differences in perception attributed to national culture might have arisen for local social, economic or institutional factors, has therefore not been conclusively dismissed.

Cultural explanations for patterns of differences in control perceptions therefore rest upon their plausibility. This plausibility has a number of bases. There was plausibility to those respondents who suggested cultural explanations. There is consistency, and in 15 cases significant statistical correlations<sup>115</sup>, with cultural dimensions. There is also consistency with more emic cultural characteristics described by literature for these national cultures. Potential interaction between the cultural and local factors has been put forward (Figure 14.1). Cultural explanations are therefore within a context of other social, economic and institutional factors. Finally these cultural explanations, within this context, have been presented to experienced cross-cultural managers, senior CoX and CoY managers and academic conference audiences, all of whom appeared to find the explanations credible. Final conclusion rests with researchers and practitioners who transfer the findings to other situations, and who decide for themselves whether the grounded theory is applicable.

*Interaction between factors:*

This study has identified a range of cultural and other contextual factors that are associated with a variety of categories for control perceptions. However, it has not examined possible interaction between these factors. It has considered that categories may be related, whether as complements (e.g. transparency and accountability) or as substitutes (e.g. focus on control processes, people or

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<sup>115</sup> These correlations were statistically significant within the samples of interviewees. Significance does not infer anything about wider populations. There were 15 significant correlations for the 3 cultural dimensions for which no question remained about their construct validity, namely Specific – Diffuse, Internal Locus of Control and Achieve – Ascribed (*13.3.4 Explanatory power and construct validity of the cultural dimensions*).

opportunities) in contributing to control assurance. This has been done with qualitative analysis, corroborated with some non-parametric statistics. More rigorous quantitative research, probably using at least interval data, might be able to throw more light on such interactions. However, if such an approach requires nomothetic methodology and positivist epistemology, it might fall into the problems identified for most of the previous empirical studies in this field (2.5 *Mapping the empirical research to date*).

15.1.2. What has not appeared in the study

*Not comprehensive research:*

This study cannot claim to be comprehensive of all important differences in perceptions of management control between managers from the UK, Czech Republic and mainland China. First of all, as explained above, some important areas of difference might have been omitted because of the starting point of credit control, and because of exclusion of differences between the 2 MNCs and their industries. Secondly, theoretical sampling followed what emerged from inquiry with managers into their perceptions of management control. This process may have omitted aspects of management control either because the respondents concentrated their attention on what was currently of control concern, or because the mode of inquiry did not lend itself to identifying all differences in control perceptions. An example of the latter is attitudes to risk, which could have been captured at different levels of gain or loss with a questionnaire (Emmanuel et al., forthcoming). Therefore, the absence of a control element from these findings does not imply that it cannot be subject to major differences in perceptions, even perhaps within the MNCs, sites and managers studied here. Another perhaps surprising omission was attitudes to change, in view of cultural differences in attitudes to time (Hall, 1977; Trompenaars and Hampden-Turner, 1997). Risk, uncertainty and change were all identified by many managers as important parts of the context of management control, but no substantial differences in these perceptions were identified between managers from different countries.

*Regional cultures:*

No attempt has been made here to identify regional cultures within China, the Czech Republic and the UK. The cultural survey data was tested, but no significant differences appeared, between those who described themselves as brought up in Czechoslovakia as opposed to the Czech Republic. Emmanuel et al. (forthcoming) find significant differences in trade credit control perceptions between regions within mainland China and the UK.

15.1.3 Conclusion for the research question

The research question, as rephrased in light of the core category, is:

*What effect does national culture, among other cross-national factors, have upon differences in how managers perceive management control in terms of gaining control assurance?*

The substantive theory (Chapter 14) shows major differences in how the managers in this study, from the UK, Czech Republic and mainland China, perceive management control, in what they see as providing control assurance. These differences (Figure 14.2) have been related to national culture, as well as to a range of other social, institutional and market factors (Figure 14.1).

Limitations in the substantive theory have been identified. These relate to how the research was done (ideational view of culture, Strauss' version of grounded theory, bias of the researcher and those researched), to the scope of the theory (static theory, credit control as starting point, company and industry effects, interaction between factors), and to transferability of the theory (unrepresentative samples, location effects). None of these limitations detract from the conclusion that the substantive theory answers the research question. There are major cross-national differences in perceptions of management control between managers in this study. These perceptual differences have been seen both as an outcome of cross-national factors and as embedded in a complex socio-cultural-political interaction, in which perceptions may influence cultural and other factors (14.4 Context of perceptions of management control).

## 15.2 Contributions to theory

Now that the research question has been answered, the implications can be turned to. These are explored first of all in terms of contributions to theory. This is done under headings for the methodology of how cross-national research into management control can be done, whether knowledge of management control has been advanced, and the possibility that some existing management control theory may be parochial.

### 15.2.1 A contribution from middle range methodology

#### *More dimensions than those of Hofstede:*

This study has not been tied to one or two cultural dimensions, nor even to the dimensions of a single theorist. Instead cultural concepts have been drawn from Trompenaars (1993), Hofstede (1991), Hall (1977), and from literature, history and philosophy (e.g. Confucius, 1997; Havel, 1991a; Krejčí, 1990; Masaryk, 1978a; Mencius, 1970; Pynsent, 1994). It has sought also to place the findings in a wider context than merely cultural factors. In this respect it has met the call of Harrison and McKinnon (1999) to escape the dominant and now limiting perspectives of Hofstede's (1984 and 1991) cultural dimensions.

#### *Emic perceptions of management control:*

By seeking the perspectives of managers, rather than testing if instances of management control meet predictions from theory, this study and its findings are more firmly grounded in emic perceptions and concepts, than are the vast majority of empirical studies reviewed in Chapter 2. This has at least partially met Bhimani's (1999) recommendations that cross-national research into management control take a more contextual approach.

#### *Reflexive management control:*

The middle range stance taken here on ontology and human nature of those researched has allowed management control to be researched as it is perceived rather than as an objective fact. It has allowed reflexive aspects of management control to be identified (e.g. 14.7.7 MCS as soft systems). This meets recommendations by Bhimani (1999) and by Harrison and McKinnon (1999) that research in this field

move away from a realist and determinist view of management control. However, this middle range stance also allows patterns to be identified in perceptions of management control and in attitudes to how people are controlled. It is argued (2.5 *Framework for analysis*) that these patterns, which might be more difficult with an extreme voluntarist approach, give more scope for transfer of a skeletal theory.

*One of very few holistic studies:*

There have been few holistic studies comparing management control in different countries or national cultures; that is holistic in the sense of inquiry into management control in general within its contextual setting. Most prior empirical studies have inquired into a set of control methods or into specific control components. Other holistic studies in this field are represented only by Horovitz (1980), which compared management control in British, West German and French companies, and Kreder and Zeller (1988) reporting on a comparative study with Hoffman (1980 and 1984) into West German and US companies. Some studies have inquired into management control in general, but because they use nomothetic methodology could study only a limited range of variables; examples of these include Daley et al. (1985), Kelly et al. (1987), Birnberg and Snodgrass (1988), and Harrison et al. (1994). Coates et al. (1993), although taking a broad view of control methods, inquired into just performance measurement.

*Transferable management control theory:*

The substantive theory is designed for transfer (Henwood and Pigeon, 1992) to other situations as a skeletal theory in order to further learning (Laughlin, 1995). Other researchers can decide from the research process and context, which has been made explicit for this study, how far this skeletal theory is applicable and hence transferable to other situations.

It was argued (Chapter 2) that using middle range approaches to build skeletal theory in this field may provide a way out of the present impasse, where nomothetic research, using hypotheses from theory of insufficient empirical grounding, has created very little consistent knowledge. Whether this research has made a step towards that potential for building consistent knowledge is left for future researchers and commentators to judge.

15.2.2 Knowledge of management control

*Opened new areas of management control to research:*

An advantage of holistic middle range or ideographic research is that it can identify new phenomena for study. Nomothetic studies that start from hypotheses may be blind to what is omitted from their hypotheses. For example, empowerment appears not to have been included in hypotheses used in prior cross-national research into management control. Apparently new aspects of management control, which are identified in this study, include external relationships and contracts, accountability, the nature of internal relationships, and attitudes to control processes.

*Control assurance:*

The study of control assurance also appears to be a new area for cross-national research. This may be seen as an important topic for research because it is central to many professional definitions of internal control (COSO, 1994; IIA – UK, 1994; Turnbull, 1999)<sup>116</sup>. This study provides insight into cross-national differences in what provides control assurance.

*What control is, rather than control methods:*

Another advantage of taking a holistic approach is that insight can be gained into what management control is seen to be. Many prior empirical studies have inquired into control methods (see Table 2.1). Inquiry into control components moves towards the more fundamental question of what management control is in different cultures. This study has moved closer to this fundamental question than less holistic studies<sup>117</sup>. Some answers to this question, of what management control is in different cultures, may be needed to underpin research into management control methods. Without this underpinning, research into specific control methods appears to assume

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<sup>116</sup> Control assurance is also recognised in the UK external auditing standard (APB, 1995, SAS 300 paragraph 25).

<sup>117</sup> This study has not answered the fundamental question of what management control is seen to be, because it has focused on differences in perception and left the common ground in these perceptions largely unexplored.

that management control is the same phenomenon around the world. It looks particularly vulnerable to charges of ethnocentric bias.

### 15.2.3 Parochial or culturally dependent management control theories

The previous chapter compared the findings and substantive theory of this study to theory of MCS and of accountability. There is no reason to suspect from this study that the application of general systems theory to management control theory is parochial to the English speaking world. In contrast, accountability theory was not supported by Czech and mainland Chinese perceptions of management control. This indicates that accountability theory is parochial to the English speaking and Northern European cultures where it has been developed. If a concept as fundamental to British views on management control as accountability is not understood by many managers in 2 other countries, there may be other management control concepts that receive more lip service than comprehension in other cultures.

Even if a theory is universally valid in all cultures, it may have a different significance between cultures. This may depend in each culture on its relative importance among what is seen there as important to management control, or upon the local meaning and significance of its concepts. That is to say, it may be culturally dependent. Such differences in relative importance, meaning or significance were seen here for contracts, responsibility, teams, hierarchy, information, the rule of law, internal regulations and procedures, and planning. Identification of any management control theory as having universal validity and significance might change the way that this theory is viewed by theorists, educators and practitioners.

A limited number of management control theories, developed within the English speaking world, are considered here in light of the findings of this study, in order to identify whether they might be culturally dependent, or even parochial. No attempt at a review of any of these theories is made, because the purpose is only to identify *potential* implications of the findings from this study.

These considerations are speculative, because they have not been supported by empirical study. Implications of this study for accountability theory were placed on a firm foundation of findings that were directly relevant to this body of theory. In contrast, comparison of the findings to general systems theory ran several times into

speculation, because the grounded theory research did not inquire into whether perceptions corresponded to general systems theory.

The conclusion concerning transferability of the substantive theory applies to extending findings across management control theories, as it does to transferring them to new geographic situations or organisations. It is up to those using the substantive theory to decide whether it is applicable to the issue they face. These potential implications are therefore raised as questions, not as conclusions. It is up to theorists and researchers to answer these questions. In doing so they should bear in mind that the findings have been grounded in data concerning the core category and key categories of this study, not in management control theories to which they may want to transfer insight from these findings. Transferability of insight from these findings to other management control theories should be verified against empirical data. Without such verification, problems identified in Chapter 2 of insufficient empirical grounding for theory could be perpetuated.

A further major caveat applies. Staff and managers who work for western MNCs may profess to adhere to, indeed to be committed to, the MCS of their employer. This may be an implicit condition for their career success within the MNC. They may therefore remain silent about not understanding, not accepting, or not being committed to the principles and practices of their employer's MCS. In managerial cultures where western management education and systems are admired, practitioners and educators may profess adherence to western concepts and theories. They may perhaps not recognise their own doubts about these concepts and theories. This does not mean that western management control theories are necessarily consistent with their cultural values, nor that they would rely on them for gaining control assurance. Identifying the extent of parochialism may therefore need careful research<sup>118</sup>.

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<sup>118</sup> Steps were taken in this study to counter the problem of how to identify actual rather than professed perceptions. Firstly rapport with interviewees was sought and their support for the inquiry into cultural differences in perception, including what is emic to each of the 3 national cultures. Secondly, there was the array of research techniques used in order to ensure reliability and validity, which are summarised in Table 4.1.

*Performance measurement and reward theory:*

Performance measurement and reward receive prominent attention in textbooks on management control (Emmanuel et al., 1990; Anthony and Govindarajan, 1998; Maciariello and Kirby, 1994; Merchant, 1998).

Performance measurement is typically done by reference to objectives (Hopwood, 1974; Flamholtz, 1983), which may be agreed with the person whose performance is to be measured and rewarded. This may perhaps be consistent with a contractual approach, involving a clear agreement with someone external to the organisation in the case of a contractor. Agreement with a subordinate within an organisation on what is expected to be achieved in the review period, followed by performance measurement against those objectives and reward according to a previously agreed formula, may perhaps also be consistent with a contractual approach. In contrast, regulation by means of relationships between parties, rather than by contract, may have less clear specification of objectives, expectations and rewards. Therefore, it may be asked to what extent relationships, in contrast to contracts, are consistent with established theory of performance measurement and reward.

Performance measurement and reward theory of the English speaking world may perhaps also imply accountability: the person whose performance is to be measured and rewarded may be seen as accountable to the manager who appraises the performance. This theory assumes some reporting of the measured performance to the appraising manager. Therefore, it might be questioned to what extent this theory is applicable in cultures where there is relatively little reliance on accountability.

Performance measurement and reward theory might perhaps play a part in ensuring that control processes work: a metric on past performance might indicate whether the MCS is operating satisfactorily. It might also be involved in a control framework of checks and balances between multiple control components, among which performance measurement and reward systems provide control components of monitoring and motivation. Therefore, it might be asked whether reward for past performance plays such an important part in control assurance that focuses on future opportunities.

*Theory of Bureaucratic, Market and Clan control mechanisms:*

Theory of Bureaucratic, Market and Clan control mechanisms was developed by Ouchi (1979). It has been widely used in management control theory and analysis (Baliger and Jaeger, 1984; Macintosh, 1994; Abernethy and Stoelwinder, 1995; Collin, 1995; Jones and Dugdale, 1995; Hamilton and Kashlak, 1999).

There is existing theory that reliance on these control mechanisms may tend to differ between national cultures (Ouchi, 1981; Jaeger, 1983; Hofstede, 1991). Existing research (Boisot and Child, 1988 and 1996) indicates that reliance in mainland China on relationships more than on contracts is inconsistent with Market control mechanisms, and that Bureaucratic control mechanisms in mainland China may differ from what is typical in the English speaking world <sup>119</sup>.

Findings in this study add weight to the view that the Bureaucratic control mechanism may be culturally dependent. This control mechanism is based on Weber's (1947) theory, in which bureaucracy is based upon roles and internal rules. It was found here that both roles (*14.5.3 British perceptions*) and rules (*11.9 conclusions on law, rules and procedures*) are more consistent with typical British than Czech or mainland Chinese perceptions of management control. It may be questioned whether any cultural dependency of Bureaucratic, Market and Clan control mechanism might affect the sort of corporate control environment (COSO, 1994; CICA, 1994; IIA – UK, 1994; APB, 1995; Turnbull, 1999) or controls culture (FSA, 2000) that is perceived as conducive to effective control. Potential implications of possible cultural dependency of the Bureaucratic control mechanism will be explored below for other theories of management control.

*Theory of programmed and non-programmed decisions:*

The distinction between programmed and non-programmed decision making is well established in management control theory (Anthony, 1965; Baliga and Jaeger, 1984;

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<sup>119</sup> See also Parsons (1947) for a historical comparison of Chinese bureaucracy to Weber's concept of bureaucracy, and Ridding (1996) on the inappropriateness of western bureaucracy for Chinese family owned firms. McKinnon and Harrison (1985) describe the peculiarly Japanese role of bureaucracy in the Japanese public sector.

Emmanuel et al. 1990; Macintosh, 1994). Programmed decisions, “where the decision situation is sufficiently well understood for a reliable prediction of the decision outcome” (Emmanuel et al., 1990, page 15), are relatively straight forward. In comparison, non-programmed situations require assumptions of management control theory (e.g. predictive models) to be relaxed, and some solutions (e.g. decision by computation, action controls) become theoretically inapplicable.

A cultural pattern in relative reliance on contracts or on relationships was found (Chapter 7). Programmed situations are perhaps consistent with a contractual approach to regulating relations between parties. Contracts specify what is expected of each party, and typically attempt to specify what is to happen if particular developments occur. It may perhaps be more difficult to regulate non-programmed situations with contractual arrangements.

In contrast regulation of affairs with other parties by means of relationship may perhaps be more consistent only with non-programmed decision making. Focus for control assurance on a relationship, rather than on a contract, leaves unspecified objectives, constraints or potential outcomes unspecified: these may be adopted and modified as events and opportunities unfold.

Furthermore, the level of certainty inherent in situations of programmed decision making depends upon a level of knowledge. Different attitudes to and availability of information (Chapter 10) may perhaps have implications for the scope of situations susceptible to programmed decision making. Equally, low concern for processes by which outcomes are to be achieved, which was a tendency found for Chinese managers, may perhaps be inconsistent with programmed decision making.

In so far as Bureaucratic control mechanisms increase certainty, relatively low emphasis on Bureaucratic control mechanisms may perhaps reduce the level of certainty available to identify situations appropriate for programmed decision making. It might perhaps further be argued that the rules, on which Bureaucratic control mechanisms depend, have less validity in situations of high uncertainty where only non-programmed decision making is possible.

Therefore, there are a number of reasons for questioning whether the theory of programmed and non-programmed decision making might be culturally dependent. In some cultures it may perhaps be questioned whether the scope for programmed

decision is considerably less than theory maintains for the English speaking world. It might be questioned whether the distinction with non-programmed decision remains useful in these cultures for identifying viable modes of management control.

The tendency found here among British managers to expect empowerment of subordinates (*9.2 Contribution or Reliability* and *9.3.1 British views and empowerment*), as opposed to expecting them to be merely reliable, might perhaps indicate situations of non-programmed decision making. So these findings might perhaps indicate reasons for questioning whether the scope for programmed decision making is diminishing in the UK.

*Information and management control theory:*

Information is central to management control theory. Cybernetic models of management control (Otley and Berry 1980; Flamholtz, 1983; Otley, 1983; Willmer, 1983; Emmanuel et al. 1990, Maciariello and Kirby, 1994) map information flows, while information feedback or control loops are described as part of management control by some theorists (Lowe, 1971; Anthony and Govindarajan, 1998). Information is implicit in all performance measurement and indeed in all forms of monitoring. Information and in some cases monitoring are singled out as control components or elements by professional pronouncements on control (COSO, 1994; CICA, 1994; IIA – UK, 1994; Ruttman, 1994; see also Turnbull, 1999). Information as part of knowledge flows for MNCs is explored by Gupta and Govindarajan (1991). Information and knowledge flows are also part of Hedlund and Rolander's (1990) 'heterarchy' and Bartlett and Ghoshal's (1998) 'transnational solution' for organisational structure, while there is a well established theoretical link between organisational structure and types of management control (Otley, 1980; Emmanuel et al., 1990; Maciariello and Kirby, 1994; Fisher 1995; Anthony and Govindarajan, 1998).

The substantive theory identifies cultural dependency of attitudes to information and perceptions of what sort of information provides control assurance (Chapter 11). It therefore seems possible that cultural differences in these perceptions may make a wide range of management control theory culturally dependent.

*Principal agency theory and the organisational failures framework:*

The principal agency theory has been applied in management accounting and control by Zimmerman (1978), Kaplan and Atkinson (1989) and Macintosh (1994). Assumptions of this theory include maximising behaviour by individuals, contractual relationships between individuals (Jensen and Meckling, 1976) and information asymmetry inherent in moral hazard and adverse selection (Baiman, 1982). The first two of these assumptions may perhaps depend upon regulation through contracts rather than relationships and upon self interest, which were found here to tend to be high among Czech managers and low among Chinese managers (Chapter 7). Willingness to divulge information was found here to tend to vary from high among British managers to low among Czech managers (*10.5 Internal and interpersonal availability of information*). These findings might raise questions whether principal agency theory is cultural dependent.

Similarly, the organization failures framework, which have been applied to management control theory (Spicer and Ballew, 1983; Emmanuel et al., 1990), assumes opportunism and information asymmetry or impactedness (Williamson, 1973 and 1975). It might therefore be questioned whether it too might be culturally dependent, although it does recognise variable reliance on hierarchies.

### **15.3 Implications for practice of management control**

The potential implications of this and similar research to the practice of management control is explored here. 'Practice of management control', as used here, refers firstly to the seeking, or making efforts to provide, some level of control assurance, secondly to monitoring, assessing, auditing or advising on provision of control assurance, and thirdly to regulation of, or professional guidance on, management control. An example of regulation in the UK includes the Combined Code (Committee on Corporate Governance, 1998) and the Turnbull Guidance (1999), which are required by the London Stock Exchange for listed UK companies, including those with overseas operations. Another example is the overview of banking and other financial services (FSA, 2000), whose jurisdiction includes not only UK MNCs in the financial sector, but also foreign banks and financial companies operating in the UK. Professional guidance on internal or management

control includes UK guidance and standards for Internal Auditors (IIA – UK, 1994; IIA – UK, 1998), COSO (1994) in the USA, and ‘CoCo’ in Canada (CICA, 1994).

This section starts with the potential contribution to awareness of differences in perceptions of management control and to cross-cultural communication. These potential contributions are then related to Perlmutter’s theory of ethnocentrism, polycentrism and geocentrism as well as to parochialism. This section then concludes with some implications for regulation.

### 15.3.1 Awareness and communication

Extensive differences have been shown between British, mainland Chinese and Czech managers in their perceptions of management control. Some explanation for these differences has been given in terms of cultural and other contextual factors. Awareness of the possible extent of differences and why they arise may assist managers working in a multi-cultural environment. These managers may be expatriates, local managers working with expatriates, those working within multi-cultural teams, or managers working with colleagues of another culture in another location, such as in headquarters or in subsidiaries in different countries. Awareness may help these managers for a number of reasons. Firstly, it can alert managers who have little cross-cultural work experience to the possible extent of differences in control perceptions. Secondly, awareness may be a first step towards respect and effective two-way communication. Thirdly, it may assist reconciliation of these differences in perception (Lloyd and Trompenaars, 1993; Hampden-Turner and Trompenaars, 2000), this is discussed further under *15.3.5 Geocentric Attitudes*.

Awareness that other staff and managers may have different perceptions of how control assurance can be provided, or attitudes to management control, may alter views on how management control systems should be designed. Improvements in cross-cultural communication may affect dialogue on MCS design, as well as the process of MCS implementation. This awareness and good cross-cultural communication may in turn facilitate monitoring a MCS. For example, without appreciating the potentially different attitudes by those involved in a MCS to a control element such as procedures, a manager monitoring the MNC may be surprised when it fails to provide the control assurance he or she expects. There may also be surprise when those who use the MCS or are controlled by it have a different

understanding of control concepts such as empowerment. Without effective communication, someone auditing or reviewing the control effectiveness of a MCS may reach a different view from the managers(s) responsible for the MCS as to how much control effectiveness it provides.

Illustration of differences in perceptions of management control together with explanation for how these differences might arise, such as provided in this study, may help managers become aware of the potential extent of cross-cultural differences. So long as managers do not treat research findings as predictions, this sort of research may help them become more alert to differences in perceptions. It may also help them be more perceptive to the meanings intended in cross-cultural communication, rather than receptive only to the meanings they expect to hear.

### 15.3.2 Parochial attitude

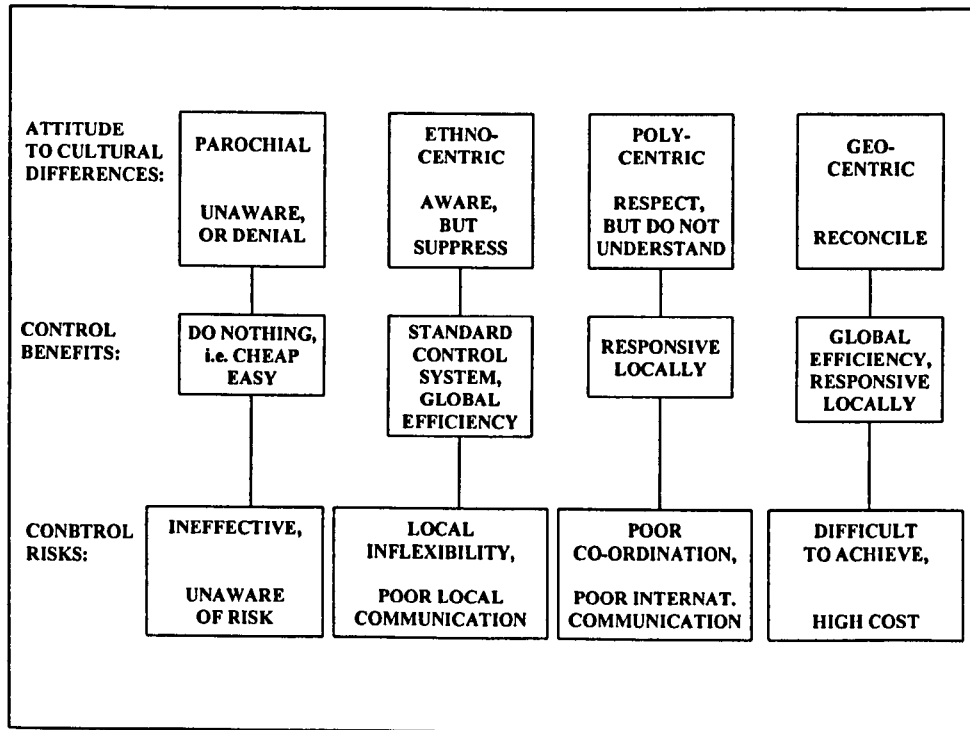
A model of attitudes to cultural differences is developed in Figure 15.1, based upon Perlmutter's (1969) theory of ethnocentric, polycentric and geocentric attitudes<sup>120</sup>. Parochial attitude is added from comparative management theory (Adler, 1983).

Although these attitudes are illustrated as pure forms, management of any MNC is unlikely to adopt just one of these pure form attitudes. With the possible exception of parochialism, they are likely to appear to a greater or lesser extent in any MNC (Perlmutter, 1969). Nevertheless, a MNC may have a preponderance of one attitude, which may serve as a label for the prevailing attitude in its management.

"Parochialism is based on ignorance of others' ways" (Boyacigiller and Adler, 1991, page 263). It is unawareness, or denial, that there are any differences in cultural attitudes, beliefs or accepted ways of doing things.

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<sup>120</sup> Heenan and Perlmutter (1979) and Chakravarthy and Perlmutter (1985) include regiocentrism in their analysis. This is omitted here as it is seen as very similar to geocentrism, but at a supra-national regional level as opposed to a global level.



**Figure 15.1: Attitudes to cultural differences**

This approach has the advantage of being cheap and easy. Nothing different need be done for management control abroad than is done at home. The risks are twofold. Firstly, the familiar management control, as implemented at home, may be ineffective in foreign cultures. Management by objectives (Hofstede, 1991), performance related pay (Trompenaars and Hampden-Turner, 1997), or accountability systems (14.8 *The substantive theory and accountability theory*, above), may not have the intended effect when transported to another culture. Secondly, managers from the home country may be unaware that their control methods may be less effective than expected, and their monitoring of management control may not identify control weaknesses.

Although it is argued here that our theory of accountability may be parochial, traders have probably been aware of differences in national culture from their first ventures abroad. An early account that traders between Europe and the Orient found each other to be very different, and to have different practices, was given by Marco Polo

in 1298 (Wood, 1995)<sup>121</sup>. Modern cultural accounts of how managers from different cultures differ in their shared beliefs, attitudes and values, may continue to foster awareness, hopefully more accurate than that promoted by Marco Polo's 'Descriptions of the world'. The sort of research done in this study may promote such awareness with respect to management control. This awareness can move attitudes from parochialism to, if nothing else, ethnocentric attitudes.

### 15.3.3 Ethnocentric attitude

An ethnocentric attitude is one that applies "standards of one's own society to people outside that society" (Hofstede, 1991, page 261). Ethnocentric management is aware of cultural differences, but insists on using the home country MCS everywhere (Chakravarthy and Perlmutter, 1985). It therefore suppresses local control methods and what local managers think may provide better control assurance.

An ethnocentric approach to management control has advantages. It tends to lead to a standardised MCS for a MNC. Standardisation may foster efficiency: learning curve benefits may be gained from installing a common system, staff gain from needing to learn only 1 system, and there is less scope for incompatibility and gaps between different management control systems. A standardised MCS may help promote the global integration and efficiencies of a global strategy (Bartlett and Ghoshal, 1998; Daniels and Radebaugh, 1998). This standard MCS is typically installed and maintained by expatriate managers from the MNC's home country, who can be trusted to maintain the systems, standards and perhaps corporate culture expected by head office. Jaeger (1983) describes how a US MNC used expatriate managers, training programmes and cultural control to impose its US MCS in its Brazilian subsidiary.

Ethnocentric management control has risks of poor local flexibility and responsiveness. This arises from poor adaptation of the standard MCS to the local situation, and from poor understanding of the local situation by foreign managers. There may also be misunderstanding by them of their local managers and staff. This

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<sup>121</sup> Irrespective of whether Marco Polo ever went to China, his descriptions, from first hand experience or hearsay from other travellers, does not take away from the curiosity and interest raised in Europe by his book 'Descriptions of the world' (Wood, 1995).

can lead to resentment and discord, as described in extreme forms by Conrad (1995) and Orwell (1989)<sup>122</sup>.

Misunderstanding is often increased by the tendency for expatriates to stereotype the local culture (Stenning, 1979; Hofstede, 1991; Usunier, 1998). Local people may also misperceive expatriate managers in terms of stereotypes rather than as individuals. This can increase misunderstanding, irrespective of whether the local people are ethnocentric towards the foreign managers.

Awareness and understanding of different control perceptions are likely to assist ethnocentric managers in implementing a standard MCS and monitoring its effectiveness. This is irrespective of whether they suppress these differences.

Two examples from this study may illustrate the dangers of ethnocentric management control and potential benefits of understanding differences in control perceptions. Czech staff were seen generally to be reluctant to follow, if not to actively resist procedures and directives, for which they did not understand the reasons (*11.3.2 Internal procedures*). These reactions may be increased where the procedures or directives are imposed by foreigners or from abroad. The findings indicate that ethnocentric management may be able to increase the effectiveness of this imposition by investing time and effort in explaining the reasons for procedures or directives. This may require greater honesty in communicating the opinions of local people and potential drawbacks than is perhaps usual in the UK (*10.6.2 Czech attitudes*).

It will be remembered that mainland Chinese people may tend to find ways to mitigate the purpose of procedures or regulation, in ways that maintain their own agenda. Therefore, in contrast to the typical Czech approach of openly resisting what is not accepted, Chinese staff or managers may appear to follow what is imposed, but find ways to avoid its purpose (*11.2.7 Mitigating the effect of regulation and punishment*). Furthermore policies, which set broad principles or define areas of discretion, may tend to be less effective with Chinese managers and staff than is expected in the UK (*11.4.4 Policies and guidelines*). Mainland Chinese people may

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<sup>122</sup> Although these books are fiction, both Conrad and Orwell were writing from first hand experience of working in the locations that they describe.

usually be more concerned with opportunities, pragmatic solutions and in avoiding constraints over freedom of action in particular situations, than in universal principles (12.2 Chinese attitudes). Potential solutions for ethnocentric management may be to support a standard MCS with high investment in interpersonal relationships with key Chinese managers.

It is claimed that different national cultures vary in their propensity towards ethnocentrism. Hofstede (1991) links strong ethnocentrism to cultures of high Uncertainty Avoidance and Masculinity, such as Japanese culture. Maruyama (1974) and Redding and Martyn-Johns (1979) associate the unidirectional causal paradigm, which may be typical of US and British thinking, with ethnocentrism. Usunier (1998) also claims that US culture has a high propensity for ethnocentrism.

Ethnocentric attitudes have no doubt been very successful, particularly in the past. In 1969 Perlmutter claimed that there was a progression of US MNCs from ethnocentric through polycentric towards geocentric attitudes. Bartlett and Ghoshal (1998, page 58) describe the global organisation model as,

*“one of the earliest corporate forms, adopted by such pioneers of internationalization as Henry Ford and John D. Rockefeller as they built global-scale facilities to produce standard products shipped worldwide under a tightly controlled central strategy. And it was this organizational form that underlay the much-studied Japanese model of worldwide competition in the 1970s and early 1980s”.*

A weaker form, the international organization model, was typical of US MNCs, with top management willing to delegate responsibility, yet retaining overall control through a sophisticated MCS and specialist corporate staff (ibid.). Despite the success of global and international organisation models, the inherent ethnocentric lack of understanding by expatriate managers did at times prevent success. Such problems are described by Ouchi (1981) for US companies that failed to make any headway in Japan in the 1970's.

#### 15.3.4 Polycentric attitude

A polycentric attitude is one that sees foreigners as very different and difficult to understand. They are therefore, as far as possible left alone. A polycentric MCS gives autonomy to local managers to manage their own management control as they

see fit (Chakravarthy and Perlmutter, 1985), so long as some overall goal such as profitability is attained. Whereas parochial and ethnocentric attitudes to international management may be concerned with home country stakeholders, polycentric attitudes are willing to give sufficient flexibility so that demands of local stakeholders can be addressed (Heenan and Perlmutter, 1979).

Polycentric attitudes probably underlie what Daniels and Radebaugh (1998) call a 'multidomestic strategy', and what Bartlett and Ghoshal (1998) term a 'multinational organization model'<sup>123</sup>. These seek high responsiveness to local situations, so that the needs of local markets and stakeholders can be catered for. According to Bartlett and Ghoshal (1998, page 56):

*"This structure was particularly well suited to the management norms of many European companies that expanded abroad (before the Second World War). ... Control and coordination were achieved primarily through the personal relationship between top corporate management and subsidiary managers. This social control process was normally supplemented by some simple financial systems ...each national unit was managed as an independent entity whose strategic objective was to optimize its situation in the local environment."*

Duangploy and Gray (1991) provide some evidence from the late 1980s that European MNCs tended towards polycentrism while US towards ethnocentrism. They found that European MNCs tended to evaluate their foreign subsidiaries from the perspective of those subsidiaries, for example in their local currency, whereas US MNCs tended to take a home country perspective.

A polycentric MCS therefore has advantages of flexibility and local responsiveness. It is likely to give considerable autonomy to local managers to provide control assurance in a way that is most compatible to local regulatory, social, market and cultural factors. Ouchi (1981) describes examples of this approach in how

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<sup>123</sup> Bartlett and Ghoshal (1989, page 355) acknowledge the influence that Perlmutter's (1969) typology of ethnocentric, polycentric and geocentric attitudes has had on their thinking. They link ethnocentrism to their centralised hub or global organisation model, polycentrism to their decentralised federation or 'multinational' organisation model, and geocentrism to their 'transnational solution'.

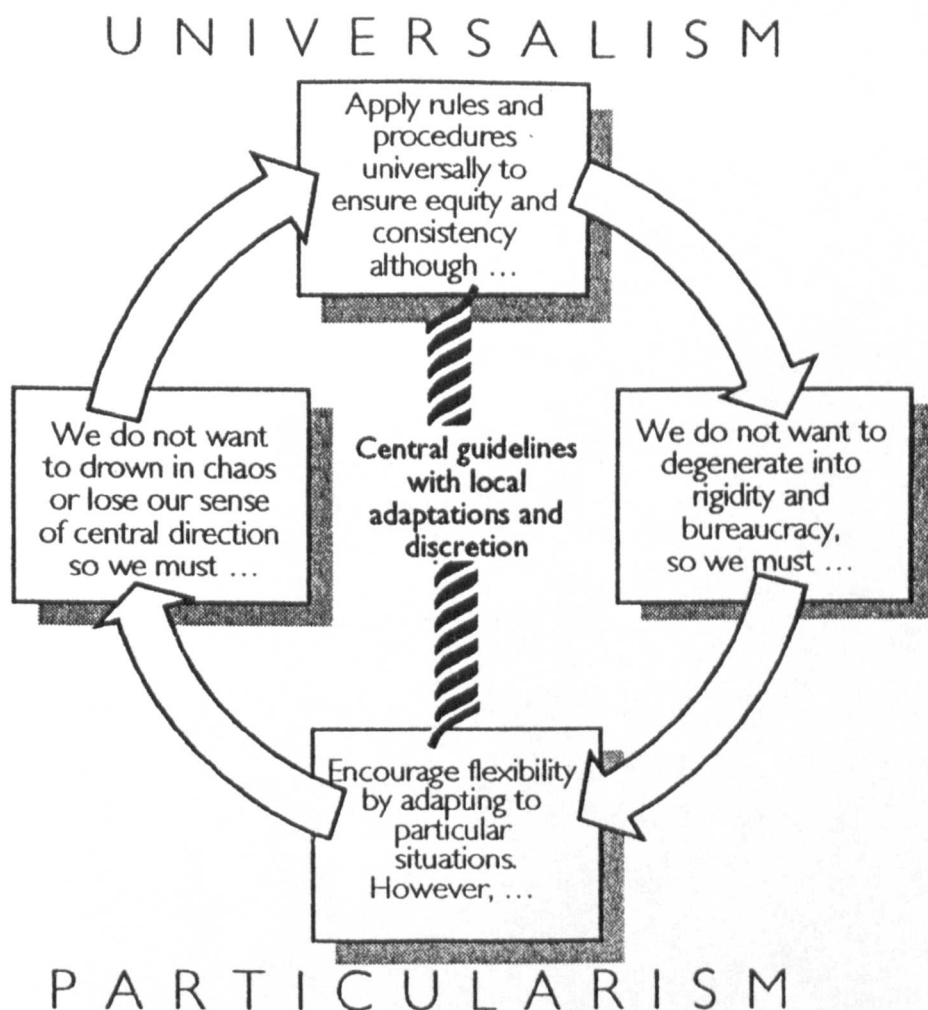
McDonalds and IBM left their Japanese operations to be run as the local Japanese managers thought best. The US management neither understood what was happening, nor felt able to intervene.

A polycentric approach however has considerable risks. It may give rise to poor communication and understanding between headquarters and foreign subsidiaries. This may lead to poor international co-ordination and hence to low global efficiency. It may also lead to weak international learning, so that product or process improvements, made in one country, may not be implemented elsewhere; there may be poor awareness and use of knowledge. There is also the risk that what is done by a foreign subsidiary may be unacceptable to headquarters, such as being involved in bribery. And there is the risk of local operations incurring heavy losses for the MNC, such as run up by Showa Shell in Japan over 4 years unbeknown to international management in London (Banaga et al., 1995). That is to say, there is the risk of the MNC losing control of its foreign subsidiaries.

Research into cultures of management control, such as this study, offer the prospect of reducing the misunderstanding and poor communication that gives rise to the risks of polycentric management control.

#### 15.3.5 Geocentric attitude

A geocentric attitude includes willingness for management from all national cultures to work together in establishing universal standards and permissible local variations, and in making allocation decisions (Perlmutter, 1969). While an ethnocentric concern for home country stakeholders was contrasted with polycentric concern for local stakeholders, a geocentric approach may be better placed to attend to global stakeholders (Heenan and Perlmutter, 1979; Charkravarthy and Perlmutter, 1985). The essence of geocentrism is that people and ideas are judged not by the standards of where they come from, nor by the standards of a single country, but by global standards for the whole MNC. It implies a reconciliation of what may appear to be incompatible cultural beliefs, attitudes, values and perceptions. This is illustrated by Trompenaars and Hampden-Turner's diagram of how Universalism and Particularism may be reconciled, which is reproduced here in Figure 15.2



**Figure 15.2: Reconciling Universalism and Particularism**

(Trompenaars and Hamden-Turner, 1997, page 44, Figure 4.4)

Bartlett and Ghoshal's (1998) 'transnational solution' is brought into the argument here because it may require some degree of geocentric attitudes. Their transnational solution is for achievement of competitive advantages from simultaneous global efficiency, local responsiveness and exploiting knowledge on a worldwide basis. According to their prescription, some resources and capabilities may be centralised, some in the home country and others elsewhere. Other resources and capabilities may be distributed among some or all of the MNCs locations. This gives a complex configuration of distributed concentrations of specialised assets and capabilities. Management of businesses, products and functions are not standardised, but differentiated for competitive position, the nature of strategic risks, and building capability for continuing flexibility. This implies considerable sharing of information throughout the MNC. Bartlett and Ghoshal claim that the corporate 'glue', preventing such an organisation collapsing under its own complexity, is "a

shared vision and set of values that define a company's common culture" (ibid., page 334).

Bartlett and Ghoshal's (1998) 'transnational solution' has several similarities to Hedlund and Rolander's (1990) 'heterarchy'. These similarities include geographically dispersed headquarter functions giving a strategic role for foreign subsidiaries, integration through corporate culture, and a 'holograph organization' in which information is shared throughout the MNC. This sharing of information enables it to be used by the whole company, in a 'firm as a brain', rather than used only by the 'brain of the firm'. Although Bartlett and Ghoshal link their transnational solution to geocentrism, neither they nor Hedlund and Rolander appear to name geocentrism as a prerequisite for their solutions to the competitive pressures faced by MNCs. However, it appears likely that geocentric attitudes may be needed at least to some extent for the necessary intensive sharing of information throughout the organisation (Kobrin, 1994) and for building of a corporate culture sufficient to hold such organisations together (Hill, 1998), both of which are required for these solutions.

Building geocentrism is difficult: it may involve learning new languages, overcoming national pride, the risks and traumas of international careers (Perlmutter, 1979), and not least reaching some reconciliation of potentially competing values. The human resource management implications alone, of developing an extensive multi-cultural cadre of international managers, can be very expensive (Hill, 1998) and time consuming. Yet the benefits from building shared standards and some common perceptions may be to break down preconceived assumptions. It may also enable MNCs to create new insights and to open opportunities that were not apparent from a single culture (Hoeklin, 1995; Morosini, 1998).

Geocentrism and these solutions for growing international competition have implications for management control. Distributed centres of expertise and specialism require non-standard approaches to co-ordination and control. Geocentrism involves adoption of shared standards, not necessarily those from a MNC's home country. Intensive sharing of information implies a capability to monitor and make judgement on effectiveness or on performance that is not defined by a position in a traditional organisational hierarchy. Perhaps Bartlett and Ghoshal's (1993) 'Beyond M-Form' organisational structure and control mechanisms are a description of a viable control

structure for a geocentric organisation. Jacque and Lorange (1984) explore the budgeting implications of MNCs being geocentric in adopting perspectives of both headquarters and foreign subsidiaries in conditions of hyperinflation and turbulent exchange rates.

The first step towards geocentrism from either ethnocentrism or polycentrism is mutual understanding. This is also the first step towards the shared values and common culture that is part of the 'glue' of for Bartlett and Ghoshal's 'transnational solution'.

*"Cultural advantage can arise from differing values and ways of seeing the world. To realize competitive advantage from them, it is first necessary to try to understand them" (Hoeklin, 1995, page 18).*

Geocentrism is a matter of degree (Heenan and Perlmutter, 1979). What is described here is an extreme version, which probably few MNCs have attained. While CoX and CoY showed considerable geocentric tendencies, they had some corporate standards and policies based on home country values that they were not prepared to compromise (*Interview # 18; Presentation # 1263*). Geocentrism of something as important as management control, and moving away from home country preferences for how control assurance is provided, may be a difficult form of geocentrism to achieve. It is submitted that mutual understanding and appreciation of different cultural perceptions of management control, such as offered by this study, are an essential first step towards geocentric attitudes to management control.

#### 15.3.6 Implications for regulation, professional guidance and standards

This study has important policy implications for regulation, professional guidance and standards concerning internal or management control. Turnbull (1999) guidance and COSO (1994) recommendations, drafted from Anglo-US cultures, may need to be viewed in light of different perceptions of management control. For example, authority, responsibility and accountability (Turnbull, 1999, Appendix paragraph 2) may have different meaning and significance in other cultures. "Established channels of communication" (Turnbull, 1999, Appendix paragraph 3) may be more significant in British culture than in, say, Chinese culture where meaningful communication has a greater tendency to be through informal channels of communication. Monitoring (Turnbull, 1999, Appendix paragraph 5) may have a

different meaning to British culture of empowerment and expectation of contribution, than in, say, Czech or Chinese culture with expectations of staff reliability. Monitoring may also be seen as less important by Chinese than Czech or British managers to providing control assurance.

It appears that regulation, professional guidance and standards for internal control, in at least the UK, are still in a state of parochialism. The UK regulators and accounting profession therefore face the double risk of issuing ineffective pronouncements and of being unaware of this ineffectiveness.

## **15.4 Areas for further research**

### **15.4.1 Extending the substantive area**

This is exploratory research. The substantive theory would benefit from further research in order to test it and to extend it to other situations. This might include other MNCs and indigenous organisations in mainland China, the Czech Republic and the UK. A start has been made by Emmanuel et al. (forthcoming) who have inquired into trade credit control perceptions by mainland Chinese and British managers working for indigenous companies. Their findings on attitudes to information, in particular, are consistent with the substantive theory developed here.

### **15.4.2 Further middle range research for a broader foundation**

Further research using middle range methodologies could induce management control theory that is better grounded, than our present theory, in the reality of cross-national business. This would extend the modest start made by this and other studies working outside the dominant functionalist research paradigm. It might provide a better foundation, than what is presently available, for nomothetic research that relies on existing theory for its hypotheses.

### **15.4.3 Similarities between perceptions of management control**

The axial coding in this study suggests that there may be substantial common ground between the three cultures studied in what management control is thought to be. For example, views seemed to be unanimous that management control involves information, and all of the 30 respondents saw control in terms of providing

assurance for achievement of objectives. It would be of considerable interest to identify what elements are common to control perceptions between two or three countries, and then to test to what extent these control elements are common to other cultures.

#### 15.4.4 New institutional theory – researching dynamics of culture

Future research could heed the call by Bhimani (1999) for use of new institutionalism and new history, and by Harrison and McKinnon's (1999) for use of research approaches from sociology and history. Alternative approaches might include studying culture as a manifestation of organisations (Smircich, 1983; Allaire and Firsirotu, 1984), and studying how organisations resolve differences in control perceptions, rather than studying culture as an independent ideational variable. These various approaches might help show the dynamics of how tensions within management control are worked out in different cultural settings, and how tensions between people of different cultural outlooks are worked out in different management control situations, rather than taking culture and management control as static phenomena.

The cultural tension of interaction between corporate and national cultures might be a fruitful area of research. An example of a research question might be how and to what extent employees either give up the shared values, beliefs and attitudes of their national culture in adopting corporate cultures of their employers, or alternatively reconcile tensions between these cultures.

This research agenda might be aided by studies of interrelationships between change and control assurance. For example, the extent that either change or concern for control assurance blocks the other, or perhaps depends on the other, could be researched.

#### 15.4.5 Ethnocentric, polycentric, and geocentric control

Ideographic research could seek knowledge of how differences in control perception are in practice managed in ethnocentric or polycentric settings. This might show the implications of attempts at worldwide regulation concerning internal control. Alternatively, research could inquire into the ways by which these diverse perceptions can be reconciled (Lloyd and Trompenaars, 1993; Hampden-Turner and

Trompenaars, 2000) in geocentric settings<sup>124</sup>. This might be achieved with action research into solution of cross-cultural barriers to geocentric understanding. It might show how advantage can be gained from tensions between different perceptions of management control, and show how insight can be gained into solutions or opportunities that would not otherwise be visible from a single cultural perspective. The results of such research might be valuable for the multi-cultural teams, whether in transnational corporations (Bartlett and Ghoshal, 1998), in multi-cultural joint ventures (Yan and Gray, 1994; Maruyama, 1996) or within multi-cultural supply chains.

#### 15.4.6 Implications for existing theories of management control

Just as empirical research might inquire into similarities between countries in control perceptions, further research might inquire into differences. A combination of studies<sup>125</sup> searching for differences and those searching for similarities might between them map out how far our present theories of management control are culturally dependent, or perhaps even parochial to the extent that they are inapplicable in some cultures.

The questions raised about established management control theories (15.2.3 *Parochial or culturally dependent management control theories*) might be addressed in future research. For this, middle range or ideographic research may be advisable so as to be sensitive to what is emic within each culture.

Important new management control theories might also be subjected to cross-national inquiry. These might include Simons' (1995) 'control levers', theories of control environment (COSO, 1994; CICA, 1994; APB, 1995) and theory of operational risk management (COSO, 1994; CICA, 1994; McNamee and Selim, 1998; FSA, 2000).

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<sup>124</sup> Nomothetic research has been done into formation of hybrid cultures during multi-cultural team formation (Early and Mosakowski, 2000)

<sup>125</sup> Usunier (1998) argues that empirical research should not attempt to look for both cultural similarities and differences in the same study. This is because researchers have a bias towards finding either similarities or differences, depending on whether they favour an etic or emic research approach.

## APPENDIX A. GLOSSARY OF TERMS

Several technical terms are defined here, in order to explain the meaning with which they are used in this study dissertation.

**Achieved status** – “Achievement means that you are judged on what you have recently accomplished and on your record. Ascription means that status is attributed to you, by birth, kinship, gender or age, but also by your connections (who you know) and educational record (a graduate of Tokyo University or Haute Ecole Polytechnique)” (Trompenaars and Hampden-Turner, 1997, page 9).

**Ascribed status** – see ‘Achieved status’.

**Axial coding** – “A set of procedures whereby data are put back together in new ways after open coding, by making connections between categories” (Strauss and Corbin, 1990, page 96). This differs somewhat from Strauss and Corbin’s definition in their 1998 edition, which refers only to relating categories to sub-categories. Their original meaning is retained because axial coding in this study focused on relating categories irrespective of whether they were sub-categories.

**Axial respondents** – A label used here to identify the 30 respondents whose views on relationships between control concepts formed the basis for axial coding in this study. Their views were also included in open and selective coding,

**Bureaucratic control mechanism** – “Conforms quite closely to the bureaucratic model described by Weber (1947). The fundamental mechanism of (bureaucratic) control involves close personal surveillance and direction of subordinates by superiors. The information necessary for task completion is contained in rules.” This pure form of control mechanism is likely to exist to a greater or lesser extent alongside Clan and Market control mechanisms in an organisation. (Ouchi, 1979, page 835)

**Category** – an abstract grouping of concepts for grounded theory research that pertains to a phenomenon under study (Strauss and Corbin, 1990 and 1998).

Clan control mechanism – Informal socialisation processes that contribute to control by inculcating and maintaining shared values within an organisation, so that organisation members have a deep commitment to the objectives for the organisation. This pure form of control mechanism is likely to exist to a greater or lesser extent alongside Bureaucratic and Market control mechanisms in an organisation. (Ouchi, 1979).

Collectivism - See 'Individualism or Collectivism'

Communitarianism - See 'Individualism or Collectivism'

Confucian dynamism - A dimension of national culture referring to the teaching of Confucius (Hofstede and Bond, 1988). Its long-term orientation is associated with persistence, ordering relationships by status and observing this order, thrift and having a sense of shame. Its opposite short term orientation is associated with personal steadiness and stability, protecting one's 'face', respect for tradition and reciprocation of greeting, favours and gifts (Hofstede, 1991)

Control components – generic components of management control. These are the outcome of control methods and may be expected to provide some control assurance. For example, implementing systems for performance related remuneration may create or enhance motivation; implementation of the systems would represent control methods, the resulting motivation would be a control component. Control components, such as authority, responsibility, accountability, information and communication, are largely represented by the components of, or criteria for assessing, internal control set out in professional pronouncements (COSO, 1994; CICA, 1994; Rutteman, 1994).

Control element - used here as a generic term to include anything that was included in axial respondents' diagrams of their perceptions of control. These elements include control objectives, action taken to achieve those objectives, components of control produced as a result of that action and providing assurance towards achievement of the objectives, and contextual factors or contingencies that affect management control.

Control methods – the means that managers use to provide management control, for example implementation and use of budgeting, monitoring and reward

systems. They are largely synonymous with the 'controls' referred to by Drucker (1964). See also 'control components'.

Cybernetics – “the entire field of control and communication theory, whether in the machine or in the animal” (Wiener, 1948, page 19). A cybernetic model of management control is used here to mean one or more information control loops.

Diffuse - See 'Specific or Diffuse'.

Discriminate sampling – Sampling, i.e. selecting data sources, for the purpose of selective coding in grounded theory research (Strauss and Corbin, 1990 and 1998).

Egalitarian or Hierarchical orientation – One of the cultural dimensions by which Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) maps corporate cultures. It refers to “the vertical or hierarchical system of authority defining superiors and subordinates” (ibid., 1997, page 157). It appears to be similar in meaning with Hofstede's Power Distance dimension (defined below), although it is measured with different survey questions and measures corporate rather than national culture.

Eiffel Tower organisational culture or model of organisation – A culture that is both Task rather than Person orientated and Hierarchical rather than Egalitarian. Likely characteristics of such an organisation are that relationships are Specific and defined by clear roles, status is Ascribed by superior roles, thinking is logical and analytical, people are seen as human resources, motivation is through promotion to a larger role within the organisation, conflict resolution is either by procedures or accusation of irrationality, and change occurs through changing the roles or procedures (Trompenaars and Hampden-Turner, 1997). This appears to correspond largely with Hofstede's (1991) Pyramid of People model of high uncertainty avoidance (UAI) and high power distance (PD).

Ethnocentrism - “Applying the standards of one's own society to people outside that society” (Hofstede, 1991, page 261). It may be compared to 'Parochialism', 'Polycentrism' and 'Geocentrism' (Adler, 1983).

External Locus of Control – see Locus of Control.

Family organisational culture or model of organisation – A culture that is both Person rather than Task orientated and Hierarchical rather than Egalitarian. Likely characteristics of such an organisation are that relationships are Diffuse, status is Ascribed, thinking is lateral and holistic, staff are treated as family members, motivation and reward is by respect and belonging to the organisation, conflict resolution is through maintaining face and power games, and change is brought about by the ‘paternal’ leader (Trompenaars and Hampden-Turner, 1997).

This appears to correspond with Hofstede’s (1991) Family model of low Uncertainty Avoidance (UAI) and high Power Distance (PD). Hofstede sees this organisational model as characterised by Ouchi’s (1979) Clan control mechanism.

‘Feedback control’ - adjusting “future conduct by past performance” (Wiener, 1954, page 33).

‘Feed forward control’ - using predictions of expected outcomes for control, rather than the use of actual outcomes in feedback control (Emmanuel et al., 1990). However, this meaning is not universally accepted. For example, Foster (1969) and Rose (1974) use feed forward control to mean adjustment of inputs, such as changes in quality or specification of inputs, in order to adjust downstream processes.

Femininity – “The opposite of masculinity; together, they form one of the dimensions of national cultures. Femininity stands for a society in which social gender roles overlap: both men and women are supposed to be modest, tender, and concerned with the quality of life” (Hofstede, 1991, page 261).

Formal theory – see ‘Substantive theory’.

Geocentrism – “A collaborative effort between subsidiaries and headquarters to establish universal standards and permissible local variations, (and) to make key allocational decisions” (Perlmutter, 1969, page 13). It may be compared to ‘Parochialism’, ‘Ethnocentrism’ and ‘Polycentrism’ (Adler, 1983).

Grounded theory – “A grounded theory theory is one that is inductively derived from the study of the phenomenon it represents. That is, it is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon. Therefore, data collection, analysis, and theory stand in reciprocal relationship with each other. One does not begin with a theory, then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge” (Strauss and Corbin, 1990, page 23). According to Strauss and Corbin (1994, page 283) the central features of grounded theory “are the grounding of theory upon data through data-theory interplay, the making of constant comparisons, the asking of theoretically orientated questions, theoretical coding and the development of theory.”

*Guan xi* 关系 – Chinese “dyadic relationships that are based implicitly (rather than explicitly) on mutual interests and benefit. Once *guan xi* is established between two people, each can ask a favour of the other with the expectation that the debt incurred will be repaid sometime in the future.” Yang (1994, page 1)

Guided Missile organisational culture or model of organisation – A culture that is both Task rather than Person orientated and Egalitarian rather than Hierarchical. Likely characteristics of such an organisation are that Specific tasks are targeted on shared objectives, status is Achieved by staff who contribute to targeted goals, thinking is problem centred, staff are seen as specialists or experts, motivation is by performance related pay, conflict resolution is task related with rapid correction of errors, and change is brought about by changing the objectives (Trompenaars and Hampden-Turner, 1997). This appears to correspond largely with Hofstede’s (1991) Well-Oiled Machine model of high uncertainty avoidance (UAI) and low power distance (PD).

Hierarchical orientation – See ‘Egalitarian or Hierarchical orientation’.

High-context communication – communication “in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message. A low-context ...

communication is just the opposite; i.e., the mass of the information is vested in the explicit code” (Hall, 1977, page 91)

IDV – Individualism index, see Individualism. This is Hofstede’s (1984, 1991) index of Individualism based on his IBM research project.

Incubator organisational culture or model of organisation – A culture that is both Person rather than Task orientated and Egalitarian rather than Hierarchical. Likely characteristics of such an organisation are that relationships are Diffuse growing out of shared creative processes, status is Achieved by individuals through creativity, thinking is process orientated and creative, people are seen as colleagues or co-creators, motivation is through participation in the process and enthusiasm, conflict resolution is through improving creativity or staff resigning, and change occurs through improvisation and attuning to new situations (Trompenaars and Hampden-Turner, 1997).

Individualism or Collectivism - A dimension of national culture dealing with how people relate to other people, contrasting a prime orientation to the self, as opposed to a prime orientation to common goals and objectives (Trompenaars, 1993, following Parsons and Shils, 1951). Trompenaars and Hampden-Turner (1997) have renamed ‘Collectivism’ as ‘Communitarianism’.

“Individualism stands for a society in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family only. .... Collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty.” (Hofstede, 1991, pages 260 - 261)

Internal Locus of Control – see Locus of Control.

Locus of Control – refers to where people tend to attribute the cause, or control, of events. People with an Internal Locus of Control tend to see themselves as potentially capable of controlling their own world, whereas External Locus of Control people tend to see themselves subject to external forces (Trompenaars, 1993; Trompenaars and Hamden-Turner, 1997). External

Locus of Control is subdivided by Levenson (Kauffman et al., 1995) into people who tend to see their world as subject to more powerful Other people, and those who see their world as largely determined by Chance or fate.

Locus of Control by Chance – a form of External Locus of Control. See Locus of Control.

Locus of Control by more powerful Others – a form of External Locus of Control. See Locus of Control.

Low-context communication – see ‘High-context communication’

Mainland China - is used here to include the greater part of the People’s Republic of China and to exclude Hong Kong, Macao and Taiwan.

Management control – provision by managers of an organisation of some level of assurance of achieving one or more objectives (standard, goal, objective or purpose) of the organisation, including avoiding undesirable outcomes (definition developed in *1.2 Management control and control assurance*).

Market control mechanism – “prices convey all of the information necessary for efficient decision making. In frictionless market, where prices exactly represent the value of a good or service, decision-makers need no other information. Arbitrary rules ... are unnecessary. In addition to information, prices provide a mechanism for solving the problem of goal incongruity. ... the firm can simply reward each employee in direct proportion to his contribution, so that an employee who produces little is paid little, and all payments, being exactly in proportion to contribution are fair.” This pure form of control mechanism is likely to exist to a greater or lesser extent alongside Bureaucratic and Clan control mechanisms in an organisation. (Ouchi, 1979, page 835)

Masculinity – “The opposite of femininity: together, they form one of the dimensions of national cultures. Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life” (Hofstede, 1991, page, 262)

National culture – shared beliefs, attitudes and values among people living during the same historical period and brought up in the same country. (Definition developed in *1.3 National culture*)

Open coding – In grounded theory research it is “the process of breaking down, examining, comparing, conceptualizing and categorizing data” (Strauss and Corbin, 1990, page 61). “The analytical process through which concepts are identified and their properties and dimensions are discovered in data” (Strauss and Corbin, 1998, page 101).

Open sampling – Sampling, i.e. identifying data sources, for the purpose of open coding in grounded theory research (Strauss and Corbin, 1990 and 1998)

Parochialism - “Parochialism is based on ignorance of others’ ways” (Boyacigiller and Adler, 1991, page 263). It is unawareness, or denial, that there are any differences in cultural attitudes, beliefs or accepted ways of doing things. It may be compared to ‘Ethnocentrism’, ‘Polycentrism’ and ‘Geocentrism’ (Adler, 1983).

Particularism - See ‘Universalism or Particularism’

PDI – Power Distance Index, see Power Distance. This is Hofstede’s (1984, 1991) index of Power Distance based on his IBM research project.

Person or Task orientation - One of the cultural dimensions by which Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) maps corporate cultures.

Polycentrism – “The attitude that cultures of various countries are quite dissimilar, that foreigners are difficult to understand, and that they should be left alone as long as their work is profitable” (Heenan and Perlmutter, 1979, page 20). It may be compared to ‘Parochialism’, ‘Ethnocentrism’ and ‘Geocentrism’ (Adler, 1983).

Power distance - “The extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally”(Hofstede, 1991, page 262).

Pyramid of People – Hofstede’s (1991) model of organisation identified by high Power Distance and high Uncertainty Avoidance. He sees this organisational model as characterised by control mechanisms based upon

Oliver Williamson's hierarchy, as opposed to market, transactions. See also Eiffel Tower organisational culture or model of organisation.

Relational and variational sampling – Sampling, i.e. selecting data sources, for the purposes of axial coding in grounded theory research (Strauss and Corbin, 1990 and 1998). “During relational and variational sampling, the researcher is looking for incidents that demonstrate dimensional range of variation of a concept and the relationships among concepts” (Strauss and Corbin, 1998, page 210).

*Ren qing* 人情. - Peculiarly Chinese, *guan xi* like relationship. It has elements of, firstly, being based on ethical and emotional feelings between human beings, secondly, being the proper conduct within a circle of people such as family, kin and close friends with whom one is bound by emotion and affection; and, thirdly, being emotional bonds of reciprocity and mutual aid between two people. While typically appearing within an extended family, it can arise in long term relationships between Chinese people who share common experiences such as between classmates from school. (Yang, 1994).

Risk - Un-quantifiable or quantifiable likelihood that something may happen. Therefore, although the economists' distinction between 'risk' and 'uncertainty' is recognised (Knight, 1933), the prevailing meaning used in the accounting and auditing professions (COSO, 1994; CICA, 1994; APB, 1995; Turnbull, 1999) is adopted here. This includes the chance that opportunities may be missed as well as chances of losses or other undesirable outcomes. Parameters of risk management are usually taken to be the likelihood that an outcome will occur, the magnitude or impact of this outcome on the business and its objectives, and what could be done either to reduce the likelihood of the occurrence or to mitigate its impact (COSO, 1994; E.I.U. with Arthur Andersen, 1995; McNamee and Selim, 1998).

Selective coding – “The process of integrating and refining the theory” (Strauss and Corbin, 1998, page 143). “The process of selecting the core category, systematically relating it to other categories, validating those relationships,

and filling in categories that need further refinement and development” (Strauss and Corbin, 1990, page 116).

Sequential view of time – Time “conceived of as a line of sequential events passing us at regular intervals” (Trompenaars and Hampden-Turner, 1997, page 123). This appears to be similar to what Hall (1977) calls ‘monochronic time’.

Specific or Diffuse - A dimension of national culture dealing with how people relate to other people. This contrasts “the degree to which we engage others in specific areas of life and single levels of personality, or diffusely in multiple areas of our lives and at several levels of personality at the same time.” (Trompenaars and Hampden-Turner, 1997, page 81)

Substantive theory – “A theory for the substantive area on which (the researcher) has done research” (Glaser and Strauss, 1967, page 114). It is contrasted by Glaser and Strauss (ibid.) to a formal theory, which draws on many studies pertaining to an abstract sociological category, and pertains to a conceptual area.

Synchronous view of time – Time “conceived of as cyclical and repetitive, compressing past, present and future by what these have in common: seasons and rhythms” (Trompenaars and Hampden-Turner, 1997, page 123). This appears to have some similarities to what Hall (1977) calls ‘polychronic time’.

Task orientation – See ‘Person or Task orientation’

Theoretical sampling – “Data gathering driven by concepts derived from the evolving theory” (Strauss and Corbin, 1998, page 201).

Theoretical sensitivity – “A personal quality of the researcher. It indicates an awareness of the subtleties of meaning of data. One can come to the research situation with varying degrees of sensitivity depending upon previous reading and experience with or relevant to an area. It can also be developed during the research process. Theoretical sensitivity refers to the attribute of having insight, the ability to give meaning to data, the capacity to understand, and capability to separate the pertinent from that which isn’t” (Strauss and Corbin, 1990, pages 41-42). In their 1998 edition, Strauss and

## *Appendix A: Glossary of terms*

Corbin refer to this as merely 'sensitivity'. Their original terminology is retained in this study in order to indicate that it has a technical meaning distinct from general sensitivity.

Trade credit – “the credit extended to customers by suppliers of goods or services” (Pike et al., 1998, page v.). Trade credit control is understood in this study to be a part of management control.

UAI - Uncertainty Avoidance Index, see Uncertainty avoidance.

Uncertainty avoidance – “The extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede, 1991, page 263). It is measured in Hofstede's Uncertainty Avoidance Index (UAI)

Universalism or Particularism - A dimension of national culture. “The universalist approach is roughly: ‘What is good and right can be defined and always applies.’ In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances. For example, instead of assuming that the one good way must always be followed, the particularist reasoning is that friendship has special obligations and hence may come first. Less attention is given to abstract rules.” (Trompenaars and Hampden-Turner, 1997, page 8)

Village market - Hofstede's (1991) model of organisation identified by low Power Distance and low Uncertainty Avoidance. He sees this organisational model as characterised by Ouchi's (1979) Market control mechanism.

Well-oiled machine - Hofstede's (1991) model of organisation identified by low Power Distance and high Uncertainty Avoidance. He sees this organisational model as characterised by Ouchi's (1979) Bureaucratic control mechanism. See also Guided Missile organisational culture or model of organisation.

## APPENDIX B. CASE STUDY DATABASE INDEX

Database #	Date of capture	Type	Location	Description
1	7/02/97	Paper	UK	Proposal for field work
2	11/05/97	Fax	UK	Notes on my field work, including timetable
3	20/05/97	Fax	UK	Thoughts on control issue
4	23/07/97	Phone	Southton	Policies for overseas op's flexibility & control
6	25/04/97	Phone	Helsinki	Finns v. Norwegians
9	25/04/97	Phone	Paris	Control in E. Europe and Russia, cheque signing
12	6/05/97	Phone	Tokyo	Japan v Brasil control attitude
15	9/05/97	Lunch	Southton	Control in China and Gabon
18	8/05/97	Interview	Southton	Exploratory meeting, communication in Russia
20	5/08/97	Interview	Southton	Possible areas of control to research
21	27/01/97	Lunch	UK	French banking
24	9/02/97	Interview	Scotland	French attitude to control
25.1		CBI: Brochure	England	CBI: Late Payment Brief
25.2		CBI: Brochure	England	CBI: Prompt Payers Code, registered supporters
25.5		Interview	UK	Hungarians
26.1	1/06/97	Document	Southton	Challenge of China
26.5	2/07/97	Field note	UK	Credit control issues
27.1	17/07/97	Fax	UK	Credit insurance and credit insurers
27.5		Brochure	UK	Factoring & Invoice discounting
28	24/07/97	WWW	www	ICM: Their credit services
29.1	31/07/97	Document	UK	Explanation of my research into Credit Control
29.5	31/07/97	Field note	UK	Protocol for field work
30	1/08/97	Dinner	UK	Czech culture
33	2/08/97	Lunch	UK	Argentinian attitude to rules
36	4/08/97	Interview	Southton	Introductory meeting
39	4/08/97	Document	Southton	Finance organisation
42	4/08/97	Interview	Southton	Introduction
45	4/08/97	Interview	Southton	Introduction
48	4/08/97	Manual	Southton	Credit Policy Manual
51	4/08/97	Document	Southton	Monthly Credit Report
54	4/08/97	Document	Southton	Weekly Aged Debt report
57	4/08/97	Document	Southton	Appraisal of new customer
60	4/08/97	Document	Southton	Recovery of debt from customer
63	4/08/97	Interview	Southton	Introduction
64	5/08/97	Interview	Southton	Initial meeting
66	6/08/97	Interview	Northton	Introduction
69	8/08/97	Phone call	UK	Credit reference business in UK
72	8/08/97	Phone call	UK	Credit reference business in Czech Republic
75.1	11/08/97	Phone call	Southton	ECGD services for capital goods exporters
75.3	11/08/97	Document	Southton	ECGD: List of credit insurers
76	11/08/97	Brochure	Southton	ECGD Newsletter
77	11/08/97	Brochure	Southton	ECGD Yearbook
78	11/08/97	Interview	UK	Demo of prestel credit info services
79	12/08/97	Phone call	UK	Business in China and Prague
81	13/08/97	Interview	Southton	Organisation, structure, risk, cost of capital
84	13/08/97	Document	Southton	Structure
87	13/08/97	Document	Southton	Organisation chart
90	13/08/97	Financial Times	Southton	General background
93	13/08/97	Interview	Southton	Questions on credit control
96	13/08/97	Document	Southton	Organisation
99	13/08/97	Email	Southton	Email messages since 20/5/97 concerning credit
102	13/08/97	Documents	Southton	Standard contracts x 3
105	13/08/97	Interview	Southton	Example of bad customer
108	13/08/97	Interview	Southton	Credit control
111	13/08/97	Document	Southton	Risk v. Reward
112	13/08/97	Interview	Southton	Credit control
114	13/08/97	Interview	Southton	Questions on credit control
115	14/08/97	Fax	Southton	Assoc Corp Treasurers

Database #	Date of capture	Type	Location	Description
117	14/08/97	Interview	Southton	Credit control
120	14/08/97	Interview	Southton	Credit control
121	15/08/97	Phone call	UK	Trade finance services offered
123	19/08/97	Interview	Southton	Control
126	19/08/97	Interview	Southton	Control
129	19/08/97	Letter	Southton	Standard letter to customers
132	19/08/97	Invoice	Southton	Invoice with payment terms
135	19/08/97	Report	Southton	Accounts Receivable balances by manager
138	19/08/97	Report	Southton	Internal control report
141	19/08/97	Report	Southton	Internal control report
144	19/08/97	Report	Southton	Internal control report
145	19/08/97	Notes	Southton	Input fields for control system
147	20/08/97	Interview	Northton	Control
150	20/08/97	Authorities	Northton	Credit authorities
153	20/08/97	Interview	Northton	Control
156	20/08/97	Interview	Northton	Forecast cash receipts data
159	21/08/97	Interview	Southton	Control
160	21/08/97	Meeting	Southton	Sales mgt incl credit
162	21/08/97	Lunch	Southton	Credit control in Northern Ireland
165	21/08/97	Interview	Southton	Credit control in Nigeria
168	21/08/97	Email	Southton	Email messages 2/1/96-9/30/96 on credit
171	20/08/97	Letter	UK	Collection overseas debt
172	20/08/97	Brochure	UK	NCM credit insurance services
174	19/08/97	Phone call	UK	NCM services
177	22/08/97	Phone call	Southton	NCM services
178	24/08/97	Field note	UK	NUDIST index tree
180	26/08/97	Interview	Northton	Basis for control assurance
181	26/08/97	Document	Southton	Business principles
183	26/08/97	Authorities	Northton	Financial authorities
186	26/08/97	Report	Northton	Credit performance
188	26/08/97	Manual	Northton	Control guidelines
189	26/08/97	Manual	Northton	Financial controls
190	26/08/97	Phone call	Northton	Cash receipts timing
190	27/08/97	Phone call	Northton	Cash receipts timing
192	27/08/97	Lunch	Southton	Global concerns, Egyptian control attitudes
195	27/08/97	Interview	Southton	Business strategy
198	27/08/97	Interview	Southton	Mgt acctg treatment of credit
201	27/08/97	Audit report	Southton	Internal audit report
204	27/08/97	Audit report	Southton	Internal audit report
206	28/08/97	Field note	Southton	Characteristics of xxxx approach to control
207	28/08/97	Interview	Southton	Control
210	28/08/97	Lunch	Southton	Control
213	28/08/97	Phone call	Southton	Cash flow forecast info sources
216	29/08/97	Interview	Northton	Control
219	1/09/97	Interview	Southton	Control
220	1/09/97	Report	Southton	Aged debt report
221	1/09/97	Report	Southton	Aged debt report
222	1/09/97	Interview	Southton	Control
223	1/09/97	Phone call	Southton	Credit recommendations and algorithms
223.5	1/09/97	Phone call	Southton	Checking for PRC/Cz staff in CoX in UK
224	2/09/97	Document	Northton	Contract for supply
225	2/09/97	Interview	Northton	Control
226	2/09/97	Phone	Northton	Contact sponsor on return from Beijing
227	2/09/97	Email	Northton	Dump of emails
228	2/09/97	Manual	Northton	Credit management guide
229	2/09/97	Report	Northton	CCN Business Information report
230	2/09/97	Report	Northton	Credit report for a non-limited co.
231	3/09/97	Interview	Northton	Control
234	3/09/97	Interview	Northton	Control
237	3/09/97	Field note	Northton	Attitude to risk
238	4/09/97	Document	Southton	Perf measures
240	4/09/97	Interview	Southton	Control

Database #	Date of capture	Type	Location	Description
241	4/09/97	Document	Southton	Control
242	4/09/97	Document	Southton	Control
243	4/09/97	Interview	Southton	Control
244	9/09/97	Phone call	UK	Credit information service
245	6/09/97	Field Note	UK	NUD.1ST coding index tree
246	8/09/97	Phone call	UK	Contacts Prague & Beijing
247	9/09/97	Phone call	Vienna	Contacts and credit management in Prague
248	13/09/97	Field note	UK	Segregation of duties, comparison CoY & X.
249	11/09/97	Field note	UK	Field work queries for CoXU
250	11/09/97	Field note	UK	Some thoughts & queries on CoXU
251	11/09/97	Field note	UK	Ideas & potential suggestions for CoXU
252	11/09/97	Field note	UK	Some thoughts & queries on CoYU
253	15/09/97	Fax	Brasil	Research into credit control
254	15/09/97	Interview	Prague	Introductory meeting
255	15/09/97	Interview	Prague	Control
258	15/09/97	Document	Prague	Invoice
259	17/09/97	Prague Post	Prague	Largest foreign owned employers in Cz Rep
260	17/09/97	Prague Post	Prague	Prague Stock Exchange cuts inactive listings
261	16/09/97	Interview	Prague	Job and background
264	16/09/97	Interview	Prague	Problems of cr ctrl in Czech Rep
267	16/09/97	Lunch	Prague	Czech culture and control
270	16/09/97	Interview	Prague	Control
273	16/09/97	Report	Prague	Aged debtors report
276	16/09/97	Report	Prague	Net investment report
279	16/09/97	Interview	Prague	Czech culture now, Czech control
282	16/09/97	Dinner	Prague	Corruption in Czech Republic
285	17/09/97	Interview	Prague	Management in Czech Rep.
288	17/09/97	Interview	Prague	Control
291	17/09/97	Interview	Prague	Control
294	17/09/97	Report	Prague	Working capital & contribution
297	17/09/97	Report	Prague	Aged debt and cr limit exceeded report
300	17/09/97	Report	Prague	Aged debt and cr limit exceeded report
303	17/09/97	Report	Prague	Aged debt and cr limit exceeded report
306	17/09/97	Report	Prague	Aged debt and cr limit exceeded report
309	17/09/97	Document	Prague	Credit Policy
310	18/09/97	Prague Post	Prague	Communist debts may kill largest industrial firms
312	18/09/97	Interview	Prague	Control
315	18/09/97	Document	Prague	Credit report
318	18/09/97	Interview	Prague	Control
321	18/09/97	Document	Prague	Internal control report
324	19/09/97	Document	Prague	Internal control report
327	19/09/97	Document	Prague	Credit report on a Czech co.
330	19/09/97	Document	Prague	Invoice to a customer showing date due
333	19/09/97	Document	Prague	Customer credit request
336	19/09/97	Report	Prague	Credit meeting minutes
339	19/09/97	Interview	Prague	Quick chat to answer some specific q's
342	19/09/97	Interview	Prague	v. brief initial meeting
343	19/09/97	Observation	Prague	Process chart for purchasing on corridor wall
345	19/09/97	Notes	Prague	Notes from loss report
348	19/09/97	Lunch	Prague	Corp culture
351	19/09/97	Interview	Prague	Control
354	19/09/97	Interview	Prague	Services in Czech Republic
357	19/09/97	Document	Prague	Information report on a listed co.
360	21/09/97	Document	Prague	Information report on a limited co. - not listed
363	22/09/97	Drink	Prague	Chat over drink with xxx & 2 friends
366	22/09/97	Interview	Prague	Further thoughts on control
369	22/09/97	Document	Prague	Mission statement
372	23/09/97	Interview	Prague	View of Czech managers' outlook
375	23/09/97	Interview	Prague	Business and market conditions, control
378	23/09/97	Interview	Prague	Business and market conditions, control
381	23/09/97	Lunch	Prague	Czech people & control weaknesses
384	23/09/97	Interview	Prague	Cz attitude to Western control

Database #	Date of capture	Type	Location	Description
387	24/09/97	Coffee	Prague	References and impressions on Czech culture.
390	24/09/97	Central European B'ss W'kly	Prague	Czech devaluation, inflation
393	24/09/97	Central European B'ss W'kly	Prague	Commission for Fighting Econ. & Fin. Crime
396	24/09/97	Central European B'ss W'kly	Prague	Moody's rating for Czech Baa 1
399	25/09/97	Central European B'ss W'kly	Prague	CoX industry
402	25/09/97	Phone call	Prague	Problems of liquidity, ethics, accountability
405	26/09/97	Lunch	Prague	Culture of Czech mgrs and business
408	26/09/97	Field note	Prague	Accountability & responsibility in Cz vs. UK
411	26/09/97	Field note	Prague	Cultural dimensions: finding SPDI differences
414	26/09/97	Prague Post	Prague	Comm to Fight Economic Crime, Freedom info
417	26/09/97	Prague Post	Prague	Bank privatization, National Property Fund
420	26/09/97	Fleet Sheet	Prague	Tax fraud, Embezzler reelected chairwoman
423	26/09/97	Interview	Prague	Control
426	26/09/97	Document	Prague	Control procedure
429	26/09/97	Document	Prague	Control procedure
432	26/09/97	Document	Prague	Overview of Debt
435	28/09/97	Interview	Prague	Control
438	29/09/97	Field note	Prague	Credit limits and complex customers
441	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
444	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
447	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
450	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
453	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
456	29/09/97	Report	Prague	Overdues & Cr Limits exceeded report
459	29/09/97	Report	Prague	Example of credit request form
462	29/09/97	Interview	Prague	Specific questions answered
465	29/09/97	Report	Prague	Capital employed
468	29/09/97	Interview	Prague	Specific questions answered
471	29/09/97	Interview	Prague	Control
474	29/09/97	Document	Prague	New procedure
477	29/09/97	Document	Prague	Presentation notes on CHEESE 'investments'
480	29/09/97	Interview	Prague	Control
483	30/09/97	Interview	Prague	Control
486	30/09/97	Field note	Prague	Idea on relationships & accountability
489	30/09/97	Interview	Prague	Questions and discussed mind map
490	1/10/97	Interview	Prague	Responsibilities, ROACE & strategy
491	1/10/97	Phone call	UK	Contact in China
492	1/10/97	Phone call	Prague	Progress funding & research
495	1/10/97	Interview	Prague	Control
498	1/10/97	Interview	Prague	Some questions answered
501	1/10/97	Email	Prague	Example of chasing a manager
504	1/10/97	Document	Prague	An Introduction to credit risk management
505	2/10/97	Document	Prague	Strategy
507	2/10/97	Field note	Prague	Flavour of the moment; Good prep of mind maps
510	2/10/97	Interview	Prague	Credit
513	2/10/97	Interview	Prague	Credit
516	2/10/97	Document	Prague	Contract with a customer
519	2/10/97	Interview	Prague	Legal options for collecting debts
522	3/10/97	Document	Prague	Control
525	3/10/97	Interview	Prague	Control
528	3/10/97	Interview	Prague	Control
531	3/10/97	Document	Prague	Letter of Representation
534	4/10/97	Field note	Prague	Control process = action + state of control
537	4/10/97	Field note	Prague	Roles
540	4/10/97	Prague Post	Prague	Tunnelling' and Czech attitudes to law
543	6/10/97	Prague Post	Prague	Industrial overdue debts & insolvency
546	6/10/97	Interview	Prague	Clarification of 'People' as basis for assurance
549	6/10/97	Interview	Prague	Control
552	7/10/97	Interview	Prague	Control
555	7/10/97	Lunch	Prague	Culture of Czech managers
558	8/10/97	Email	Prague	Some emails on credit control
561	8/10/97	Interview	Prague	Czech business culture

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Database #	Date of capture	Type	Location	Description
564	8/10/97	Document	Prague	Cost structure and realisation
567	8/10/97	Lunch	Prague	Cz mgrs' culture and my impressions.
570	9/10/07	Interview	Prague	Specific questions answered
571	9/10/07	Field note	Prague	Points to follow up with CoYP
572	9/10/07	Field note	Prague	Potential suggestions for CoYP
573	9/10/07	Prague Post	Prague	Cz residential construction firms collapsing
576	9/10/07	Prague Post	Prague	Cz inflation > 10%, interest rates 14.5%
579	9/10/07	Prague Post	Prague	Restitution favoured former communists
582	9/10/07	Prague Post	Prague	Banks afraid to foreclose on collateral
585	9/10/07	Prague Post	Prague	Attitudes to taxi regulation and Justice system
588	9/10/07	Prague Post	Prague	Shortage of labour, skilled & unskilled
590	9/10/07	Field note	Prague	Points to follow up in Prague
591	9/10/07	Prague Post	Prague	Widespread tax evasion
592	9/10/07	Field note	Prague	Points to follow up CoXP
593	15/10/97	Field note	Prague	Ideas and potential suggestions for CoXP
594	23/09/97	Interview	Beijing	Credit reference info & collecting debt in PRC
595	16/10/97	China Daily	Beijing	Jiang Ze Min at 15 National Congress of CPC
597	17/10/97	Field note	Beijing	Aggregation of credit risk
600	17/10/97	Meeting	Beijing	Presentation by new employee
603	17/10/97	Interview	Beijing	Initial meeting, objectives etc.
606	17/10/97	Interview	Beijing	Business and market conditions
609	17/10/97	Interview	Beijing	Control
612	17/10/97	Document	Beijing	Credit management policy - old
615	17/10/97	Document	Beijing	Credit management policy - new
618	17/10/97	Interview	Beijing	Accounting for bad debts etc.
619	18/10/97	Document	Beijing	Personnel relations survey
621	18/10/97	Field note	Beijing	Credit ctrl : Market maturity/expansion mrkt share
622	18/10/97	Far East Economic Review	Beijing	Modernise Chinese banks, relationship loans
623	19/10/97	Far East Economic Review	Beijing	15th Party Congress
624	19/10/97	Field note	Beijing	Case studies for questionnaire
625	19/10/97	Far East Economic Review	Beijing	Co's not transparent, soe debt, bank speculation
627	20/10/97	China Daily	Beijing	Soe reform
630	20/10/97	Interview	Beijing	Structure import trade, control weaknesses
633	20/10/97	Interview	Beijing	Control
636	20/10/97	Interview	Beijing	Control
639	20/10/97	Interview	Beijing	Control
642	21/10/97	Interview	Beijing	Control
645	21/10/97	Interview	Beijing	Res objectives, scope, respondents
648	21/10/97	Phone call	Beijing	Legal side of debt collecting
649	21/10/97	Lunch	Beijing	Specific questions
651	21/10/97	Training meeting	Beijing	Staff meeting and questioning
652	21/10/97	Phone call	Beijing	Cr services offered. W. co's too ambitious
654	22/10/97	China Daily	Beijing	GDP, unemployment, inflation. Tight credit policy.
657	22/10/97	Interview	Beijing	Specific questions answered
660	22/10/97	Document	Beijing	Overdue debtors report
663	22/10/97	Document	Beijing	Manpower, results & balance sheet
666	22/10/97	Document	Beijing	Manpower analysis
669	22/10/97	Interview	Beijing	Specific q's: Credit Policy, Currency risk
672	22/10/97	Document	Beijing	Overdue report
675	22/10/97	Document	Beijing	Payment status for importer
678	22/10/97	Document	Beijing	Delegated authorities
681	22/10/97	email	Beijing	Credit authorities and policy
683	22/10/97	Lunch	Beijing	With department: Regulation v. practice
684	22/10/97	Interview	Beijing	Legal aspects to debt recovery in China
687	22/10/97	China Business Summary	Beijing	2 x court cases in China with foreigners
690	22/10/97	Document	Beijing	Financial authorities for credit.
693	22/10/97	Interview	Beijing	Control
696	22/10/97	China Daily	Beijing	CPC bans members who give gifts
699	23/10/97	China Daily	Beijing	15th Nat Congress: admin manpower
702	23/10/97	Interview	Beijing	Control
705	23/10/97	Document	Beijing	Brochure on cr info
708	23/10/97	Document	Beijing	Business education service

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Database #	Date of capture	Type	Location	Description
711	23/10/97	China Daily	Beijing	Guanxi in rural economy
714	23/10/97	China Daily	Beijing	Interest rates cut
717	23/10/97	Interview	Beijing	Control
720	24/10/97	Interview	Beijing	Control
723	24/10/97	Document	Beijing	Confirmation of orders, deliveries & payment
726	24/10/97	Document	Beijing	Sales performance (Volumes)
729	24/10/97	Document	Beijing	Overdue & cr limit exceeded system dump
730	24/10/97	Document	Beijing	Report on customers with overdue
732	24/10/97	Document	Beijing	Credit appraisal form
735	24/10/97	Document	Beijing	Monthly working capital analysis
738	24/10/97	Document	Beijing	Bad debt provisions
741	25/10/97	Lunch	Beijing	Chinese approach to law and business
744	25/10/97	Field note	Beijing	Credit competition and emerging markets
747	27/10/97	Field note	Beijing	Managing a customer out of a credit situation
750	27/10/97	China Daily Business Weekly	Beijing	Merger and stock market listing of soe's
753	27/10/97	China Daily Business Weekly	Beijing	Ground breaking for a plant in TianJin
756	27/10/97	Interview	Beijing	Control
759	27/10/97	Document	Beijing	Model contract
762	27/10/97	Lunch	Beijing	Specific questions
765	27/10/97	Interview	Beijing	Control
768	27/10/97	Interview	Beijing	Control
769	28/10/97	Publication	Beijing	Some small & mid sized banks may go bankrupt.
771	28/10/97	Interview	Beijing	Control
774	28/10/97	Lunch	Beijing	Control
777	28/10/97	Interview	Beijing	Control
780	29/10/97	Field note	Beijing	Control of numbers or of business
783	29/10/97	Interview	Beijing	Control
786	29/10/97	Lunch	Beijing	Impressions
789	29/10/97	Interview	Beijing	Control
792	29/10/97	Interview	Beijing	Control
795	30/10/97	Phone call	Beijing	Specific question
798	30/10/97	Publication	Beijing	China should be governed by law
801	30/10/97	Lunch	Beijing	Differences Western and Chinese thinking
803	31/10/97	Interview	Beijing	Tung Chien Hua; Friday night drinking
804	31/10/97	Interview	Beijing	Control
807	31/10/97	Document	Beijing	WIP report
810	31/10/97	Document	Beijing	Invoice
813	31/10/97	Document	Beijing	Reminder to pay
816	31/10/97	Document	Beijing	Accounts recievable report
819	31/10/97	Interview	Beijing	Control
822	31/10/97	Interview	Beijing	Control
823	31/10/97	Field note	Beijing	Suggestions & o/s q's
825	1/11/97	China Daily	Beijing	Reform of small s.o.e.'s
828	1/11/97	China Daily	Beijing	New bankruptcy law
831	1/11/97	China Daily	Beijing	Jian Ze Min at 12th Nat Congress
832	2/11/97	Lunch	Beijing	Ranking of Beijing universities
834	3/11/97	China Daily Business Weekly	Beijing	S.O.E. reform
837	3/11/97	Interview	Beijing	Control
840	3/11/97	Lunch	Beijing	Control
843	3/11/97	Interview	Beijing	Control
846	4/11/97	Interview	Beijing	Control
849	4/11/97	Document	Beijing	Business acceptance criteria
852	4/11/97	Document	Beijing	Standard contract
855	4/11/97	Lunch	Beijing	Differences in W & PRC views of mgt process
858	5/11/97	Interview	Beijing	Control
861	5/11/97	Meeting	Beijing	Working capital meeting
862	5/11/97	Document	Beijing	Presentation material from meeting
864	5/11/97	China Daily 4/11/97	Beijing	Fin instit's should tighten mgt, int ctrl & reg's
867	5/11/97	China Daily 4/11/97	Beijing	Judge dismissed by for supericial reasons
870	5/11/97	China Daily 4/11/97	Beijing	Listing of s.o.e.'s per 15th Nat Congress
873	5/11/97	China Daily 4/11/97	Beijing	Bosses disappearing to avoid paying debts
876	5/11/97	Lunch	Beijing	Differences Chinese & Western thinking

Database #	Date of capture	Type	Location	Description
877	6/11/97	Phone	Beijing	Specific question
879	6/11/97	Interview	Beijing	Cr and business control and mgt process
880	6/11/97	Document	Beijing	View of 'Strategic Cost Leadership'
882	6/11/97	Interview	Beijing	Specific q's on reports
885	7/11/97	Interview	Beijing	Control
888	7/11/97	Lunch	Beijing	Accountability, responsibility, stereotyping
891	7/11/97	Interview	Beijing	Responsibility and Accountability.
894	7/11/97	Document	Beijing	Credit mgt best practice study
897	7/11/97	email	Beijing	emails within on credit management
900	7/11/97	email	Beijing	emails
903	7/11/97	Economist Intelligence Unit	Beijing	Buyer's market as over supply in China markets
906	7/11/97	Economist Intelligence Unit	Beijing	Gu Fen Zhi as part of s.o.e. reform
909	8/11/97	Economist Intelligence Unit	Beijing	Steel mills: Hangang and Capital or Shougang
912	9/11/97	Lunch	Beijing	Close out meeting
915	10/11/97	Interview	Beijing	Tried out draft new questionnaire
918	10/11/97	Lunch	Beijing	Control
919	10/11/97	Economic Intelligence Unit	Beijing	Weakening demand in China
921	10/11/97	Phone call	Beijing	Number of active customers
924	10/11/97	Interview	Beijing	Control
927	11/11/97	Interview	Beijing	Control
930	11/11/97	Interview	Beijing	Differences Chinese and Western thinking
931	11/11/97	Document	Beijing	China cultural selection & dev project
932	11/11/97	Document	Beijing	Recruitment criteria
933	11/11/97	Lunch	Beijing	Differences Ch and W thinking
934	11/11/97	Document	Beijing	Example of controls
936	11/11/97	Interview	Beijing	News clippings service on Chinese newspapers
937	11/11/97	Document	Beijing	Example of controls
938	11/11/97	Document	Beijing	Example of controls
939	11/11/97	Fax	Beijing	Press agencies for news clippings services
940	11/11/97	Document	Beijing	Example of controls
941	11/11/97	Document	Beijing	Example of controls
942	11/11/97	Interview	Beijing	AP and how suppliers collect their debt
943	11/11/97	Document	Beijing	A Chinese invoice from a supplier
945	12/11/97	Interview	Beijing	Suggestions for their cr mgt
948	12/11/97	Questionnaire	Beijing	Questionnaire on providing mgt assurance
951	12/11/97	Interview	Beijing	Checking my impressions
954	12/11/97	Interview	Beijing	Number of active accounts
957	12/11/97	Interview	Beijing	Trade debtors project
960	12/11/97	Interview	Beijing	Final meeting
963	12/11/97	Interview	Beijing	Study into Chinese culture
966	12/11/97	Document	Beijing	Credit reference report
969	12/11/97	Document	Beijing	Credit reference report
972	13/11/97	Document	Beijing	A business licence
975	13/11/97	Interview	Beijing	Treasury implications of cr mgt
978	13/11/97	Interview	Beijing	Credit reference services
979	13/11/97	Brochure	Beijing	Credit reference services
981	13/11/97	Interview	Beijing	Final meeting & view of control
982	14/11/97	Far East Economic Review	Beijing	Slow down, tight credit, tho interest rates falling
984	14/11/97	Interview	Beijing	Financing charge for working capital
987	14/11/97	Interview	Beijing	Final meeting & view of control
990	14/11/97	Interview	Beijing	Final meeting & view of control
993	14/11/97	Lunch	Beijing	Differences in Chinese and Western thinking
995	14/11/97	Document	Beijing	Internal phone list
996	14/11/97	Interview	Beijing	Close out meeting
997	14/11/97	Interview	Beijing	Control is awareness
998	14/11/97	Field note	Beijing	Suggestion for CoXC
999	16/11/97	Interview	Beijing	Control
1000.1	16/11/97	Field note	Beijing	Queries
1000.2	16/11/97	Field note	Beijing	Suggestions
1000.3	16/11/97	Field note	Beijing	Queries
1000.4	16/11/97	Field note	Beijing	Suggestions
1000.6	16/11/97	Field note	Beijing	Queries

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1002	16/11/97	Interview	Beijing	Control
1003	17/11/97	China Daily	Beijing	Controls of Agricultural Bank of China
1005	20/09/97	Document	UK	VAT in UK on bad debts
1006	20/09/97	Economist	UK	Matsushita in China
1007	24/11/97	Economist	UK	Soe reform, triangular debt
1008	24/11/97	Field note	UK	Mind map key categories: UK, Chinese, Czech
1011	24/11/97	Publication	UK	Comment on corporate culture
1014	2/12/97	Publication	UK	Sorting out Czech financial sector
1015	25/11/97	Letter	UK	Letter introducing cultural questionnaire for CoXP
1017	27/11/97	Document	Southton	Key indicators
1018	1/12/97	Interview	Southton	Feedback E478on context of cr ctrl
1019	2/12/97	Interview	UK	Czech thinking
1020	7/12/97	Financial Times	UK	Fall of Klaus, ethical failings & lack of market reg
1021	7/12/97	Prague Business Journal	Prague	Downgrade Cz Rep cr rating. Interest rates up
1022	8/12/97	Field note	Prague	Attitude to control
1023	8/12/97	Interview	Prague	A few ideas on differences Cz and W thinking
1024	8/12/97	Central European B'ss W'kly	Prague	Justice, rule of law, ownership, truth
1025	8/12/97	Central European B'ss W'kly	Prague	Slow paying for agricultural produce
1026	8/12/97	Lunch	Prague	Differences Cz and W thinking
1027	8/12/97	Central European B'ss W'kly	Prague	1 co accuses another of bribery
1029	8/12/97	Interview	Prague	Confirming mind map and ideas
1032	9/12/97	Document	Prague	Policy on Gifts and Conflicts of Interest
1035	10/12/97	Lunch	Prague	Czech thinking
1038	10/12/97	Field note	Prague	Attitude to faceless control of people
1039	11/12/97	Lunch	Prague	Czech thinking & confirmation of mind map
1041	11/12/97	Prague Post	Prague	Effects of bank privatisation in Czech Republic
1044	11/12/97	Prague Post	Prague	No penalty to enforce political funding reporting
1046.1	11/12/97	Document	Prague	Audit Committees
1046.2	11/12/97	Document	Prague	European Corporate Governance
1046.3	11/12/97	Document	Prague	Converging cultures
1047	11/12/97	Lunch	Prague	Czech thinking
1050	11/12/97	Interview	Prague	Control
1053	12/12/97	Interview	Prague	Control
1052	12/12/97	Observation notes	Prague	Corporate culture - at Reception
1056	15/12/97	Lunch	Prague	Control
1059	15/12/97	Interview	Prague	Control
1062	16/12/97	Observation	Prague	Corporate culture - Teamwork or Informal hier'y
1064	16/12/97	Interview	Prague	Control
1065	16/12/97	Interview	Prague	Key points for cultural comparisons
1068	16/12/97	Lunch	Prague	Corporate culture and control
1071	17/12/97	Interview	Prague	Control
1074	17/12/97	Interview	Prague	1st meeting on view of cr control
1077	17/12/97	Lunch	Prague	Checking on my research impressions
1080	17/12/97	Interview	Prague	Use of s/w
1083	17/12/97	Observation	Prague	Metro regulations
1086	18/12/97	Field note	Prague	Factors affecting perceptions
1089	18/12/97	Lunch	Prague	Czech & British culture
1091	18/12/97	Field note	Prague	Main trends Cz UK Ch. Impressions
1092	19/12/97	Interview	Prague	Control
1093	19/12/97	Field note	Prague	Preparation for mtg - comparison CoX & CoY
1094	19/12/97	Field note	Prague	Suggestions
1095	19/12/97	Lunch	Prague	Close out meeting. Summary my impressions
1096	19/12/97	Document	Prague	Internal phone directory
1097	19/12/97	Field note	Prague	Preparation for mtg
1097.3	20/12/97	Observation	Prague	Drink with staff.
1098	20/12/97	Prague Post	Prague	Havel's speech on ousting of Klaus
1099	20/12/97	WWW	Prague	Havel's speech to Czech Parliament, 9/12/97
1101	20/12/97	Prague Post	Prague	Funding scandal: truth democracy and justice
1104	20/12/97	Prague Post	Prague	Corruption: Acquittal of alleged spy and financier
1107	20/12/97	Prague Business Journal	Prague	Corruption: Cz army tender for computing
1110	20/12/97	Prague Post	Prague	CoYP industry in Czech Republic
1113	20/12/97	Confirmation	Prague	Control

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Database #	Date of capture	Type	Location	Description
1114	20/12/97	Field note	Prague	Queries to followed up
1115	30/12/97	Document	Prague	Internal phone directory
1116	30/12/97	Interview	England	Control
1119	31/12/97	Supper	England	View of British and Chinese culture
1122	7/01/98	Interview	England	Control
1125	7/01/98	Interview	Southton	Control
1128	7/01/98	Lunch	Southton	Views on points for cultural comparisons
1131	8/01/98	Interview	Southton	Cult comparison points
1134	8/01/98	Interview	Southton	Control
1137	8/01/98	Interview	Southton	Field work. Observation of cult reaction
1138	11/01/98	Interview	Southton	Example of unlearning organisation
1140	14/01/98	Field note	UK	Risk vs. focus & quantity of control work
1143	14/01/98	Interview	Southton	Confirm mind map, cultural comparison points
1146	16/01/98	Lunch	Southton	Cultural comparison points
1149	16/01/98	Interview	Southton	Control
1152	18/01/98	Interview	Southton	Control
1155	19/01/98	Lunch	Southton	Confirm mind map, comparison Ch & Br culture
1158	19/01/98	Interview	Northton	Confirm mind map, cult comparison points.
1159	20/01/98	Email	Northton	Email 'Handbags' example
1161	20/01/98	Field note	Northton	Professionalism = v. British ?
1164	20/01/98	Document	Northton	New credit manual - Short field guide
1167	20/01/98	Document	Northton	New credit manual - Full manual
1170	20/01/98	Lunch	Northton	Working capital project
1173	21/01/98	Interview	Northton	Cultural comparison points
1176	22/01/98	Interview	Northton	Number of active customer accounts
1179	22/01/98	Interview	Northton	Cultural comparison points
1182	22/01/98	Document	Northton	Appraisal form, competencies
1185	22/01/98	Document	Northton	Upward feedback form
1188	28/01/98	Interview	Northton	Confirm mind map & cultural comparison points
1191	28/01/98	Meeting	Northton	Meeting on sales and credit management
1194	30/01/98	Supper	Train, UK	Views on national culture, Nepali, Rwanda
1196	30/01/98	Field note	Southton	Suggestions for CoXU
1197	30/01/98	Interview	Southton	Confirm mind map & cultural comparison points
1198	30/01/98	Document	Southton	Definition of management control
1199	30/01/98	Field note	Southton	Coding density, small sample size
1200	17/01/98	Field note	Southton	Individ/Collectvsm measured & observed
1201	7/02/98	Economist	UK	Bad loans by Czech banks
1203	11/02/98	Field note	UK	System logic as part of model - really grounded?
1206	21/02/98	Field note	UK	Future research
1209	22/02/98	Dinner	UK	Attributes of a subordinate
1212	26/02/98	Interview	UK	Cultural comparison points
1215	28/02/98	Interview	UK	Chinese modesty.
1218	10/03/98	Interview	UK	Typical Chinese attitude to bad parking.
1221	11/03/98	Drink	Southton	Views on my maps of cultural differences,
1224	11/03/98	Presentation	Southton	Presentation of interim research findings
1227	11/03/98	Interview	Southton	Identifying culture with pictures.
1230	11/03/98	Interview	Southton	Moscow, comparison to my findings for Prague
1231	11/03/98	Interview	Southton	HR standards: example of Corp culture
1233	11/03/98	Document	Southton	Conflict of interests, Ethical guidelines
1236	28/02/98	Document	Southton	Worldwide facts & figures
1239	3/04/98	Document	Southton	Team to increase cultural etc diversity
1242	3/04/98	Economist	UK	Kodak in China
1245	12/04/98	Document	UK	Staff Independence Confirmation
1248	1/05/98	Lunch	UK	Czech for 'Truth will prevail'
1251	8/05/98	Economist	UK	Daimler-Benz in China
1254	8/05/98	Economist	UK	Problems in China's state owned banks
1257	16/05/98	Economist	UK	Prospects of recession for China
1260	22/05/98	Document	UK	Increasing diversity nat, Gender, Age
1263	23/05/98	Presentation	UK	Presentation of interim findings
1266	30/05/98	Economist	UK	SGS-Thomson's problems in China
1269	10/06/98	Economist	UK	Pain of s.o.e. reform
1271	13/06/98	Field note	UK	Reconciling cult approaches to control

Database #	Date of capture	Type	Location	Description
1272	14/06/98	Field note	UK	Key method development from research journal
1275	27/06/98	Field note	UK	Analysis of process & research criteria
1278	1/07/98	Interview	UK	Differences Cz and UK cultures
1279	2/07/98	Phone	UK	Info on cr worthiness in PRC
1280	29/06/98	Field note	UK	Analysis of meanings for 'Accountability'
1281	8/07/98	Phone	UK	Permission to use quote from email
1282	10/07/98	Presentation	UK	Presentation of interim findings
1283	13/07/98	Meeting	UK	Analysis of cultural questionnaires
1284	13/07/98	Meeting	UK	Confirmation of her mind map
1287	14/07/98	Meeting	UK	Idea for future research.
1290	14/07/98	Presentation	UK	Presentation of interim findings
1291	14/07/98	Observation	UK	Tables of Shame'
1293	19/07/98	Meeting	UK	Analysis of cultural questionnaires
1296	23/08/98	Interview	UK	CoYU Corporate culture
1297	2/09/98	Interview	UK	Interpretation of CHIRU's story
1297.1	3/09/98	Lunch	UK	Credit control in CoYU
1297.2	19/12/97	Interview	UK	Pravda z vitezi
1299	20/01/98	Correspondence	Prague	Written confirmation of perception of control
1302	4/06/98	Correspondence	UK	Written confirmation of perception of control
1305	29/05/98	Correspondence	Beijing	Written confirmation of perception of control
1308	29/05/98	Correspondence	Beijing	Written confirmation of perception of control
1311	4/12/97	Correspondence	Beijing	Written confirmation of perception of control
1314	3/02/98	Correspondence	Beijing	Written confirmation of perception of control
1317	4/12/97	Correspondence	UK	Written confirmation of perception of control
1320	4/02/98	Correspondence	Beijing	Written confirmation of perception of control
1323	12/02/98	Correspondence	UK	Written confirmation of perception of control
1326	5/04/98	Correspondence	UK	Written confirmation of perception of control
1329	3/02/98	Correspondence	Prague	Written confirmation of perception of control
1332	8/04/98	Correspondence	UK	Written confirmation of perception of control
1335	5/04/98	Correspondence	UK	Written confirmation of perception of control
1338	10/12/97	Correspondence	Prague	Written confirmation of perception of control
1341	2/04/98	Correspondence	Prague	Written confirmation of perception of control
1344	4/06/98	Correspondence	Prague	Written confirmation of perception of control
1347	6/02/98	Correspondence	UK	Written confirmation of perception of control
1350	11/06/98	Correspondence	Prague	Written confirmation of perception of control
1353	3/02/98	Correspondence	UK	Written confirmation of perception of control
1356	10/02/98	Correspondence	UK	Written confirmation of perception of control
1359	8/12/97	Correspondence	UK	Written confirmation of perception of control
1362	24/04/98	Correspondence	Prague	Written confirmation of perception of control
1365	1/04/98	Correspondence	UK	Written confirmation of perception of control
1368	3/02/98	Correspondence	Prague	Written confirmation of perception of control
1371	9/12/97	Correspondence	UK	Written confirmation of perception of control
1374	15/12/97	Correspondence	Prague	Written confirmation of perception of control
1377	12/12/97	Correspondence	Prague	Written confirmation of perception of control
1380	12/12/97	Correspondence	Beijing	Written confirmation of perception of control
1383	26/03/98	Correspondence	Beijing	Written confirmation of perception of control
1386	6/10/98	Correspondence	Beijing	Written confirmation of perception of control
1389	19/06/00	Fax from Beijing	UK	Recruitment, internal relations
1392	20/06/00	Analytical note	UK	Hypotheses tried out with experienced managers
1395	6/08/00	Analytical note	UK	Axial resp's diagrams not on trade credit control
1398	10/08/00	Analytical note	UK	Policy as opposed to procedures
1400	15/08/00	Analytical note	UK	Feedback loops in credit control diagrams
1403		Analytical note	UK	95959: Opportunities/people/system

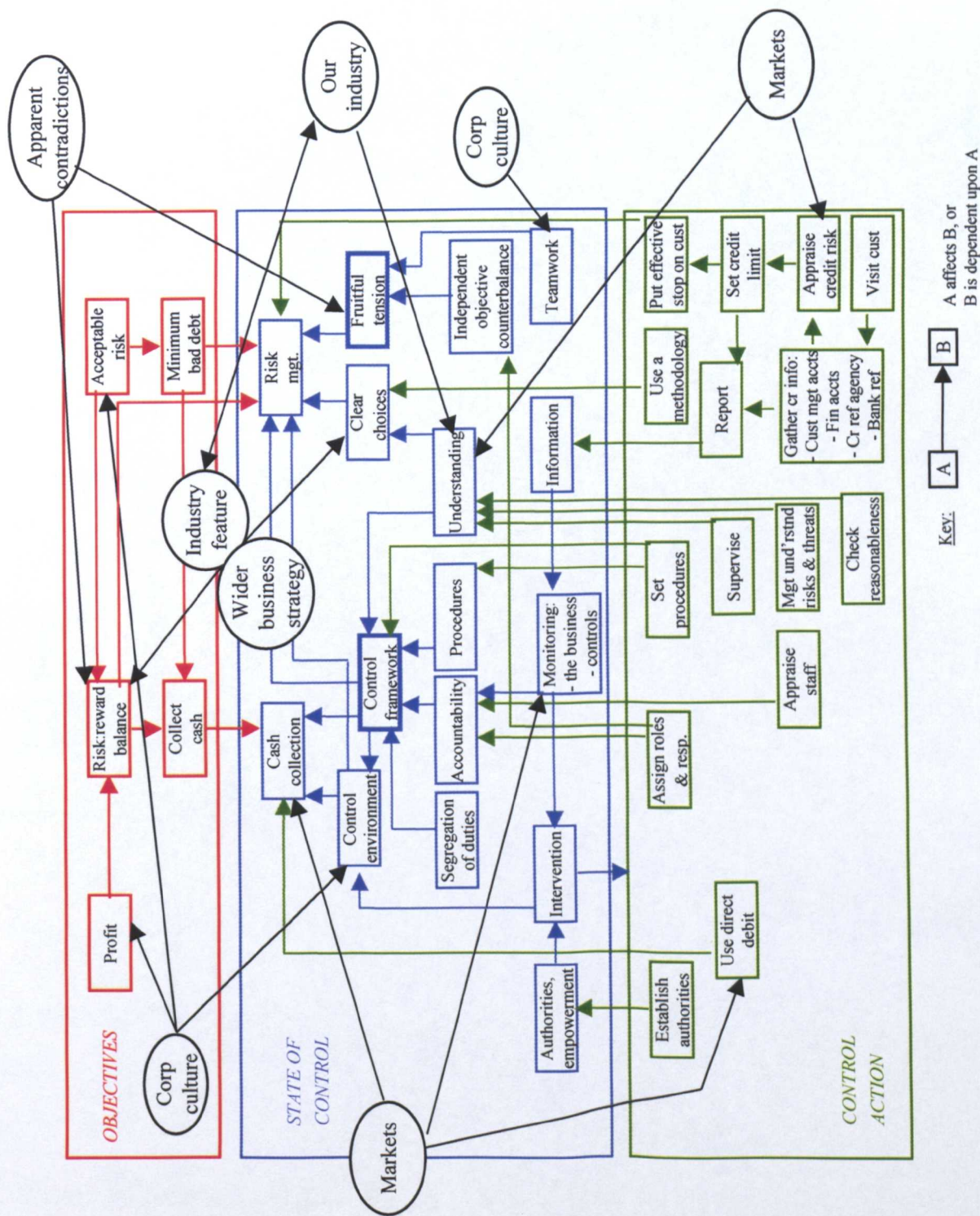
## **APPENDIX C. EXAMPLE OF AN AXIAL RESPONDENT'S VIEW OF TRADE CREDIT CONTROL**

This view, in the following diagram, was developed by the researcher from interviews with a particular axial respondent. It was discussed, further developed where necessary, and confirmed with the axial respondent to ensure that it captured his or her views, rather than those of the researcher. The diagram is supported by notes, taken directly from interview notes, to explain each control element.

Anonymity of the axial respondent and of the organisation has had to be maintained. Codes are therefore used to hide the identity of axial respondent and particular aspects of the business. These are shown in capital text, e.g. 'AXRES' and 'CHALK'. Monetary values have been adjusted and coded with a fictional currency unit *M*.

The diagram format of related control elements, analysed between objectives, state of control, control action and contextual factors, was used for all diagrams of axial respondents' views of management control. It was developed in early stages of interviewing axial respondents, and was based on formats experimented with during the pilot study. It provided a convenient means for rapid portrayal of complex views on management control described by axial respondents. All axial respondents said that they were happy with this format. Analysis of control elements between objectives, state of control and control action was abandoned when it appeared not to add very much to the analysis.

This view comprising 44 control elements, and being of trade credit control as an example of management control, is typical of those gathered from other axial respondents.



These notes give a brief explanation of what AXRES means by each of the following key concepts concerning credit control, identified with a box on the accompanying diagram.

### **Objectives**

These are the objectives, standards, goals, directions or purposes that are directly related to credit control.

#### Acceptable risk

The degree of risk that shareholders and management are prepared to put up with. CHALK is a risky business; every year we have a big bad debt. The only way that will change is if you elect to get out of that market.

#### Profit

Margin; contribution after cost of financing accounts receivable and of bad debt.

#### Risk:reward

The objective of having some balance (acceptable, optimum?) between risks and rewards. Here rewards include profit and also other objectives such as throughput dictated by the wider business strategy. Risks are those to profit, from bad debt, excessive outstanding debt, non-achievement of sales objectives etc., and risks to any other objectives of the business.

#### Minimum bad debt

Incur no more than a minimum level of bad debt.

#### Collect cash

So that sales proceeds are received, cost of financing outstanding debt does not grow and bad debt is avoided.

### **State of control**

These items are the result of Control Action taken; they provide some assurance that the objectives are being achieved and disasters are being avoided. The most

important of these items, for giving that assurance, are shown as bolder boxes in the diagram.

### Teamwork

Working together as a team for the business interest and getting on well together. In the CHEESE TEAM there were people who had a lot of humour; a lot of people were quite relaxed with each other; they got on quite well; therefore there were constant informal contacts. So by a curious process everyone knew what was going on the whole time.

Other examples of how teams might operate:

a Credit Control function that, while being independent, is close to the business, having good liaison with the business and the field sales force

Sales staff giving Credit Management staff information, such as accounts, bank reference mandates and visit reports, that may assist forming a view on a customer's credit worthiness

Credit and Sales staff working as a team together towards selling and collecting sales proceeds; Credit Management working with Sales to find solutions to credit risk problems. Joint visits by Sales and Credit Management staff to customers.

### Independent objective counterbalance

Credit controllers who are independent, objective, and not in a position to be overwhelmed or brow beaten. If it is difficult to get the business, a salesman can very often be so hyped up on the success of getting the customer to buy, at what might appear to be an attractive price, that he gets into a frame of mind where he perceives the principal threat as not getting the business. Whereas the principal threat is not getting the money.

Roles have changed within ORG1. Credit Management used to be advisory; now they have authority to say yes or no to how much credit is granted, so that Sales have to push it up the line if they want a different decision.

It requires staff with training and experience, so that their professionalism is recognised and brought to business decisions.

### Fruitful tension

This is most important to providing control assurance. An example is the tension between Sales who are going for business and Credit Management who are protecting the company's assets. These competing priorities may be negotiated at senior levels of Finance and Sales Management.

### Information

Such as that given by reports, e.g. aged debt and exception reports, Key Performance Indicators (KPIs) such as Payment Variance (PV); also softer informal information such as that gathered from conversations and observations.

### Monitoring

Monitoring both the business and the control system. Monitoring the business includes constant focus on customers' debt, without which it gets out of hand very quickly. Monitoring the control system includes internal audit, review of Key Performance Indicators (KPIs), checking user requirements for reports.

### Authorities, empowerment

Empowerment, i.e. Giving people the freedom and authority to get on with their job. It includes both authority to make a decision and making it clear what people can do.

Authorities as limits to what people can do, but applied flexibly e.g. Sales staff can always appeal against a decision by Credit Management.

### Intervention

Taking action when it is clear from monitoring that something needs to be done.

Intervention with senior management input can help instil real assent to the control framework, thus helping to build a positive control environment.

### Accountability

Accountability. i.e. responsibility, both to your line manager, and equally to your internal customer to whom you are giving service. Both Sales and Finance are accountable for credit. Finance are accountable if they give the wrong answer or do

not pick up warning signs of customer default. Sales are accountable if they fail to give to Finance information they have.

With the way that ORG2 organisation is going, there will be a significant spotlight on the accountability of the Sales managers.

### Procedures

Procedures setting out what should be done, when and the standards to which it should be done.

When people are presented with a specific transaction or piece of paper, they need the confidence to know what to do with it. Those steps will be more efficient and better, if they are allowed to evolve with people's experience and knowledge, and if they are confidently updated with the feedback of the people who are constantly using them. There is no alternative to having a sensible set of procedures. People dislike intensely not having that framework, because they then have too much left to their own initiative; they have to spend too much time dealing with XXXX, and they become frustrated.

### Understanding

Understanding the business. One too readily assumes that people have a basic understanding, the ability to understand what is reasonable and what is not.

For example, in moving operations from SOUTH to NORTH we have lost a lot of experienced people; we found people putting dates instead of prices into price fields, producing M 10 million invoices that were corrected before issue. Inexperienced staff were not doing reasonableness checks. This is a loss of general atmosphere of understanding the business..

The Credit Control function needs to have a good understanding of the business, so that it can be strong, independent and work with the business. It should also understand and have good intelligence of the industry and markets.

While credit decisions are with the business, business managers must clearly understand the risks they are taking. That is, they need to have clear understanding of the balance between risk and reward, so they are equipped to make appropriate decisions.

Segregation of duties

If you asked me whether someone could bribe somebody here to quietly write off a debt, I would think it highly unlikely. Highly unlikely because of procedures and controls wouldn't allow it, and because of segregation of duties.

Control framework

This is most important to providing control assurance.

Management understanding of the risks and the threats to the business' health, together with appropriate defences against those risks and threats. An example, outside credit control, of lack of this understanding was where management of a road construction company thought that the risks were technical of building a road within specification and on time. Whereas a bigger risk was that the price of their asphalt was not locked in; this led to a M250,000 loss on the road.

Underlying this understanding are a set of assumptions. Whether the assumptions are formal or informal, they should exist; my view is they should be transparent so you can know what they are.

The defences against the threats are represented by procedures, activities (i.e. the Control Action below), accountabilities, whether these be formal or informal.

Control environment

The tone at the top and the real ideology that underlies the formal ideology. It is real assent by people to, and their real understanding of, what they are supposed to be doing and how they are supposed to be doing it. Without the right informal corporate culture, the formal procedures may be operated purely mechanically. People may not buy into controls but will see them as obstacles, and when people see an obstacle they are like to circumvent it.

In an example, outside credit control, Internal Audit found a substantial fraud in a division. They found its offices stuffed with manuals, quality manuals and procedures. But the very simple basics of control were ignored, like segregation of staff duties, like management being sufficiently on the ball to note that there is something a bit odd about a M10,000 a year clerk driving a Cosworth Sierra and

buying rounds of champagne for his colleagues. Pre-employment checks would have uncovered his dubious past.

*Cash collection*

Customers actually paying what they owe.

*Clear choices*

So that management can decide the extent of exposure that they are prepared to tolerate and the degree of risk they are prepared to put up with

*Risk management*

Managing the balance between exposure, risk and reward.

This may be done within the Sales function with information and service provided by Credit Management. It may be done jointly by Sales and Credit Management, such as intervention to obtain a parent company guarantee for CONSOLIDATED CHALK.

It may be better to manage one's way out of a risky exposure to a customer, e.g. by letting a customer continue to take product on reduced credit terms or for payment up front, than to cut off an existing customer.

***Control action***

This is the action taken in order to achieve the objectives.

*Visit customer*

Joint visits by Sales and Credit Management and conversation with customers are a key source of information and are useful for resolving credit problems.

*Gather credit information*

From sources including:

- Customers' management accounts
- Customers' financial accounts
- Credit references agencies
- Bank references

in an ideal situation, talking to other parts of ORG.

*Appraise credit risk*

Key work by Credit Management towards setting credit limits and credit ratings. Sales make a proposal and Credit Controllers either approve it or suggest an alternative such as reducing the credit term or taking security

*Set credit limit*

Our credit limit may be anything from a limit to our risk, based upon the assessed strength of the customer, to a review point used to monitor the level of business with the customer and their payment performance.

*Report*

e.g. reports or on-line information on over due balances and balances exceeding credit limits. Also less formal communication by email, note, word of mouth etc.

*Put an effective stop on a customer*

A stop may be placed on further business with an existing customer, such as when they exceed their credit limit, their payments are overdue, or new information puts their credit strength in doubt.

At present we have difficulties. For example a stop cannot yet be automated in our CHANNEL S, and we cannot update credit limits fast enough for CHALK business which tends to go through peaks and troughs.

*Use a methodology*

I would like us to use a methodology that makes the choices clear, that looks at the exposures and compares them to the risks and rewards. The problem is that too many of our customers would fail our criteria.

*Check reasonableness*

Checking that transactions, balances etc. look reasonable and make sense within the context of general understanding of the business. Doing these checks builds understanding of the specific area.

Management understand risks and threats

Action by management to make sure they understand risks and threats facing the business.

Supervise

Review of activities to ensure they are carried out properly, that authorities, standards, procedures are adhered to, and that people are performing as they should. Monitoring, guiding and coaching staff, so its an-on-the-job training and development type of activity as well. We underestimate the importance of supervision and assume that people have a basic understanding of the business.

Set procedures

Providing a set of credit management procedures and standards.

Appraise staff

e.g. against their tasks and targets; so that they are held accountable for their responsibilities

Assign roles and responsibilities

So people know who is responsible for what. Also for organisational roles such as Credit Management as an independent objective function, and for segregating duties.

Use direct debit

Direct debit is efficient and gives early warning of credit problems. We are trying to put all new customers, and get as many of our existing customers as possible, on direct debit. How much we can do this depends market conditions.

Establish authorities

e.g. for setting credit limits, or for trading above credit limits.

**Context of credit control**

This is the context of credit control. These are factors that may affect objectives, control action, and the state of control.

### Corporate culture

Common attitudes, the norms of how things are done, that are shared within the company. In ORG it includes scrupulous legality and fairness.

Unfortunately it also includes functional silos, i.e. lack of communication between functions.

### Apparent contradictions

A threat to the business is loss of market share, loss of critical mass, and inability to absorb overheads. Yet greater sales volumes can represent bigger risks in the exposures to customers, and also can lead to breaches in defences against substantial loss of profit involved in bad debt.

There can be an apparent lack of goal congruence between Sales staff and Credit Controllers, yet this may be the source of fruitful tension.

### 'Industry feature'

[This describes a particular feature of the industry, which has been deleted in order to maintain anonymity for the industry and organisation]

### Wider business strategy

Credit control is also part of a much bigger debate of ... [Strategic issues deleted in order to preserve anonymity].

### Markets

We need to have good understanding of the markets that we operate in, so that we can understand our customers.

The different mentalities of particular markets, as well as some personalities, result in not all customers being on direct debit. For example in the CHEESE market, where there are relatively low turnover and exposure but high margins, some marketers see less need for direct debit. The effect of markets on customer risk, for example the variable business and low margins of the CDE industry.

*Our industry*

We need to have good understanding of the industry that we operate in, so that we can understand our competitors and the economics that we face.

## APPENDIX D. CULTURAL QUESTIONNAIRE

The questionnaire was edited from Trompenaars' (1997) instrument, in order to reduce its length, and thus increase the number of responses by busy managers. Questions 29 and 30 were developed by the researcher in order to distinguish External Locus of Control by Chance from that by more Powerful Others (Kauffman, Welsh and Bushmarin, 1995). It is set out on the following pages. But first an explanation is given for how measurements of culture were calculated from this instrument

Indices were constructed as follows for each cultural dimension and for each survey respondent:

Universalism: average score for questions 1 to 3,

where responses are scored: a = -1, b = 0, c = +1, d = -1, e = +1.

Incubator ideal corporate culture: average score for ideal and current situations,

where responses to questions 4.d, 5.c and 6.b are each scored +1.

Guided Missile ideal corporate culture: average score for ideal and current situations,

where responses to questions 4.a, 5.a and 6.d are each scored +1.

Eiffel Tower ideal corporate culture: average score for ideal and current situations,

where responses to questions 4.c, 5.b and 6.c are each scored +1.

Family ideal corporate culture: average score for ideal and current situations,

where responses to questions 4.b, 5.d and 6.a are each scored +1.

Egalitarianism: Incubator + Guided Missile scores – Family + Eiffel Tower scores

Person orientation: Incubator + Family scores – Guided Missile + Eiffel Tower scores

Individualism: average score for questions 20 to 22,

where responses are scored: a = 1, b = -1.

Specific: average score for questions 23 to 25,

where responses are scored: a = 1, b = -1.

Internal Locus of Control: average score for questions 26 to 30, where responses to questions 26.b, 27.b, 28.a, 29.c and 30.a are each scored +1, and 30.b is scored +0.5

External Locus of Control by Chance: average score for questions 26 to 29, where responses to questions 25.a, 27.a, 28.b and 29.b are each scored +1.

External Locus of Control by more Powerful Others: average score for questions 29 to 30, where responses to questions 29.a and 30.d are each scored +1, and 30.c is scored +0.5

Achieved Status: average score for questions 31 to 33,

where responses are scored: a = -1, b = -0.5, c = 0, d = +0.5, e = +1.

Future, Present or Past orientation scored from 0 (weak) to 1 (strong) based on the relative sizes of circles in question 34.

Synchronic view of time: scored from 0 (sequential) to 1 (synchronous) based on the number divided by 3 of the sum (maximum 3) of intersections between circles and number of circles that enclose each other, in question 34.

The score for each question should best be seen as ordinal rather than interval data. To be strictly correct in averaging scores across several questions, there should be correspondence between questions in the size of intervals of each scale assumed for scoring a question. Similarity of the instructions and structure for questions used to measure each cultural dimension give some support for this assumption. Accordingly, the index for each cultural dimension calculated for each survey respondent can be taken as only an approximate ordinal measure.

Questionnaire

This is a questionnaire to find out the way in which you think or feel about some dilemmas at work or in everyday life. It is part of a widely used and tested questionnaire for measuring cultural attitudes. Obviously there are no right or wrong answers. When answering the questions, try not to be influenced by any previous answers you have given. Some questions on your personal background are included in order to control in the research for some other factors besides culture that may affect personal opinions.

Please select a code of up to 5 characters (letters or numbers) for yourself by which your answers may be coded in the research material in order to ensure confidentiality.

For the following questions, please imagine yourself in the situations described; please select ONE answer from the alternatives given.

1. You are riding in a car driven by a close friend who hits a pedestrian. You know you were going at least 60 kilometres per hour (kph) where the maximum speed is 40 kph. Your friend's lawyer says that if you testify under oath that he/she was only driving at 40 kph, it may save him/her from serious consequences. There are no other witnesses.

**What right has your friend to expect you to protect him/her?**

- a. As a friend he/she has a definite right to expect me to testify that the speed was only 40 kph
- b. As a friend he/she has some right to expect me to testify that the speed was only 40 kph
- c. As a friend he/she has no right to expect me to testify that the speed was only 40 kph

Your answer =

**In view of your obligations as a sworn witness and your obligation to your friend, would you testify that he/she was driving at only 40 kph?**

- d. Yes
- e. No

Your answer =

2. You are a journalist who writes a weekly review on newly opened restaurants. A close friend of yours has sunk all his/her savings in a new restaurant. You have eaten there and you really think the restaurant is no good.

**What right does your friend have to expect you to go easy on his/her restaurant in your review?**

- a. As a friend he/she has a definite right to expect me to give the restaurant a favourable review.
- b. As a friend he/she has some right to expect me to give the restaurant a favourable review.
- c. As a friend he/she has no right to expect me to give the restaurant a favourable review.

Your answer =

**In view of your obligations to your readers and your obligation to your friend, would you go easy on his/her restaurant in your review?**

- d. Yes
- e. No

Your answer =

3. You are a doctor for an insurance company. You examine a close friend who needs more insurance. You find that he/she is in pretty good shape, but you are doubtful on one or two minor points which are difficult to diagnose.

**What right does your friend have to expect you to shade the doubts in his/her favour?**

- a. As a friend he/she would have a definite right to expect me to shade the doubts in his/her favour.
- b. As a friend he/she would have some right to expect me to shade the doubts in his/her favour.
- c. As a friend he/she would have no right to expect me to shade the doubts in his/her favour.

Your answer =

**Would you shade the doubts in his/her favour in view of your obligations to your friend and your professional obligations?**

d. Yes

e. No

Your answer =

For the following questions please state which of the four descriptions you believe best describes the **CURRENT** situation in your organisation, and then what you believe to be the **IDEAL** situation.

4. Working effectively means:

- a. that the individual members and the organisation agree upon objectives and that people are given freedom to attain the goals;
- b. that the manager gives the objectives, and directs the members in fulfilling the various tasks that need to be done;
- c. that the objectives and roles to fulfil them are clearly described, even in cases where this obstructs individual freedom and inventiveness; or
- d. that the individual members feel challenged by the task at hand.

**Current situation in my organisation**

**Ideal situation in my organisation**

5. You, as an expert, and your boss are making a presentation to a new client:

- a. you will do most of the talking on behalf of the company, because - after all - this is the area of your expertise;
- b. your boss does the talking whereby you will always be at hand should he need you;
- c. you will decide in discussion with your boss who will most learn and develop from it; the one who would, will do the presentation; or
- d. you expect your boss to do the talking whereby you will not be asked to help, even in cases where you boss makes unnoticed professional mistakes.

**Current situation in my organisation**

**Ideal situation in my organisation**

6. My organisation is:

- a. a personal place; its like an extended family; people seem to share a lot together;
- b. a very dynamic place with lots of space for self-realisation; people are eager to meet new challenges;
- c. a very stable and structured place; bureaucratic procedures generally govern what people do; or
- d. a place which is orientated to results and achievement; a major concern is getting the job done.

**Current situation in my organisation**

**Ideal situation in my organisation**

The following questions are on your personal background. Please feel free to skip any of them that you do not wish to answer.

7. The country in which you spent most of your childhood

8. How many years have you lived outside that country

## Appendix D: Cultural Questionnaire

9. If in your opinion, this country does not adequately describe your national, regional, or ethnic culture, please state that culture here

10. What level of higher education, if any e.g. HNC, diploma, B.Sc., MBA, have you attained?

11. What was the discipline of your higher education, professional or technical training, if any, e.g. engineering, economics, arts; if there are several, please give the one that you think most influences you in your work.

12. What was the principal country in which you did this higher education, professional or technical training

13. What is the discipline or function of your current job, professional or technical training, e.g. engineering, marketing, accounting

14. Principal country of your present job

15. Total years of any work experience, including before higher education (please circle your answer)

under 1	1	2-3	4-5	6-9	10-15	16-25	26 or more
a	b	c	d	e	f	g	h

16. Total years of work experience involving managing or supervising other people

under 1	1	2-3	4-5	6-9	10-15	16-25	26 or more
a	b	c	d	e	f	g	h

17. Gender, F for female or M, for male

18. Age, in years

under 20	20-24	25-29	30-34	35-39	40-49	50-59	60 or more
a	b	c	d	e	f	g	h

19. What kind of job do you do:

19.1 A job for which normally up to four years of vocational training is required, e.g. skilled worker, technician)?

19.2 A job for which a higher level professional training is required, e.g. graduate engineer, lawyer?

19.3 A job in which you manage at least one subordinate?

19.4 If so, do your subordinates themselves manage their own subordinates?

19.5 What is your job title? - Please omit if this would identify you within your organisation.

For the next set of questions, imagine these situations occurring in your organisation where you work.

20. A defect is discovered, caused by negligence of a member of the team. The responsibility could be carried by the individual alone, or by the team as a whole. What do you experience in your organisation?

- a. The person causing the defect is responsible. Therefore he/she should be called to order by his/her superiors.
- b. Because one happens to work in a team, the responsibility should be carried by the group. This time one member has made a mistake; next time it could be someone else in the team.

Your answer =

21. In your experience, when a decision has to be made, people will look for:

- a. a compromise, as this will save precious time; all the people involved need to vote; or
- b. a consensus, even if it takes more time; all the people involved need to carry the outcome.

Your answer =

22. In your experience, which way of working best describes the situation in your organisation:

- a. to work as an individual, on one's own. In this case a person is pretty much their own boss. They each decide most things for themselves and how they each gets along in their own business. Each person has only to take care of him or herself and does not expect others to look out for them.
- b. To work in a group where everybody works together. Everybody has something to say in the decisions that are made and everyone can count on one another.

Your answer =

The next questions describe relationships between people and at work.

23. People have different opinions about how a job can be done best. Which way do you prefer?

- a. The best job will be done if people you work with know you personally and accept you the way you are, both within and outside the organisation.
- b. The best job will be done if the people you work with respect the work you are doing, even if they are not your friends.

Your answer =

24. Imagine that a boss asks a subordinate to help him paint his house. The subordinate discusses the issue with a colleague. Which of the two arguments would you support the most?

- a. I do not have to paint the boss' house if I do not feel like it. He is my boss in the company. Outside the company he has little authority.
- b. Despite the fact that I do not feel like it, I will paint the house anyway. He is my boss and you cannot ignore that outside work either.

Your answer =

## Appendix D: Cultural Questionnaire

25. People have different ideas about what makes a good manager. Which one of these two descriptions do you prefer?

- a. A good manager is a person who gets the job done. He/she takes care of the information, people and equipment for the execution of tasks. He/she leaves subordinates free to do their part of the job and intervenes only if necessary.
- b. A good manager is a person who gets his/her group of subordinates working well together. He/she guides them continuously, and helps them solve various problems. He/she is a kind of father.

Your answer =

The next questions concern the way in which results of events unfold. Please choose the answer you believe to be more in line with reality.

26.

- a. Without the right break or opportunity, one cannot be an effective leader; or
- b. capable people who fail to become leaders have not taken advantage of their opportunities.

Your answer =

27.

- a. Misfortunes in people's lives are partly due to bad luck; or
- b. people's misfortune result from the mistakes they make.

Your answer =

28.

- a. In the long run, people get the respect they deserve; or
- b. unfortunately, an individual's worth often passes unrecognised no matter how hard they work for it.

Your answer =

29.

- a. If people follow the instructions of doctors who prescribe the latest discoveries in medicine, they are likely to live longer;
- b. every person has a set time to live and there is not much human beings can do to make the lives of men and women longer; or
- c. people's health and life expectancy reflects how they treat their body. Those that look after themselves tend to live longer.

Your answer =

30. Feed back information on what is happening in the market place can be used for directing business operations:

- a. to correct deviations from your plan, so that you retain initiative in the market;
- b. to measure deviations from plans, so that you can adjust either your operations or your plans to take best advantage, and maintain some influence, in the market;
- c. to listen to customers, competitors and others outside your organisation, so that you can choose a competitive position in the market for meeting customer demand; or
- d. to listen to customers, competitors and others beyond your control, so as to make your business responsive to what customers want.

Your answer =

## *Appendix D: Cultural Questionnaire*

The following statements you may, to a greater or lesser extent, agree or disagree with. Please state your personal belief.

31. The respect a person gets is highly dependent on the family they come from.

- a. Strongly agree
- b. Agree
- c. Undecided
- d. Disagree
- e. Strongly disagree

Your answer =

32. It is important for a manager that he or she is older than most of his/her subordinates.

- a. Strongly agree
- b. Agree
- c. Undecided
- d. Disagree
- e. Strongly disagree

Your answer =

33. An effective manager is more likely to be a person with very good education, experience and influence with powerful people, than someone with very high intelligence and personal drive.

- a. Strongly agree
- b. Agree
- c. Undecided
- d. Disagree
- e. Strongly disagree

Your answer =

34. Think of the past, present and future as being in the shape of circles. Please draw three circles in the space below, representing past, present and future. Arrange these circles in any way you want that best shows how you feel about the relationships of the past, present and future. You may use different size of circles. When you are finished, label each circle to show which one is the past, the present and the future.

*Thank you for your help. Your contribution to this research is much appreciated.*

## APPENDIX E. SELECTIVE CODING CATEGORIES

This appendix lists the selective coding categories with their principal properties and dimensions<sup>126</sup> at the end of the study. It gives an indication of the 'density' of the theory and its key categories, which is one of Strauss and Corbin's (1990 and 1998) criteria for grounded theory research (Table 3.3).

Categories are listed here logically under key categories, each of which is described in a chapter of this dissertation. The key categories each demonstrate an aspect for managers of the MNCs of the core category, namely 'differences between national cultures in gaining control assurance'. The substantive theory was a reorganisation of findings for the key categories and their sub-categories.

Many properties of categories were in turn explored as categories. The distinction between categories and properties is therefore largely arbitrary. They are therefore listed together. Dimensions were generally bipolar, such as important or unimportant to providing control assurance. Some bipolar dimensions have a mid range value, for example mutual interest was seen as falling between self interest and mutual interest as a basis for business relationships. Some dimensions had more than 2 poles, where multiple possibilities were described by interviewees for a property. An example was Accountability and its property of what it is seen as consisting of.

These categories and properties do not in all cases correspond to boxes in the overview diagram given in each of Chapters 7 to 12. The categories and properties listed here were used for identifying findings concerning differences between managers from different countries in perceptions of how control assurance is gained. The overview diagrams illustrate findings of differences by indicating characteristics for each of the 3 national cultures. Whereas the categories and properties cut across 2 or more national cultures, the diagrams attempt to distil what was characteristic for control perceptions of each national culture. The diagrams therefore do not illustrate

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<sup>126</sup> 'Dimension' is used here according to its general meaning of a measurable extent (Allen, 1990). This is consistent with Strauss and Corbin's definition in their 1998 edition (page 101) "the range along which general properties of a category vary, giving specification to a category and variation to the theory", although not with the definition in their 1990 edition.

all categories against each national culture. Some categories are illustrated by more than 1 characteristic within a national culture.

<u>Categories, sub-categories and properties</u>	Dimensions		
	<u>From:</u>		<u>to:</u>
<b>Core category:</b> Differences between national cultures in gaining control assurance			
<b>Key category (Chapter 7):</b> Business relations with external parties			
Relationship or contract	Relationship		Contract
Basis for relationship: Property – self or mutual	Self interest, low trust	Mutual interest	Reliance on other party, high trust
Property – instrumental or feeling	Instrumental		Feelings of <i>guan xi</i> or <i>ren qing</i>
Benefit of taking legal action to regulate external relations	Take to court to enforce contracts	Hesitate to take to court to enforce contracts	Taking to court destroys relationships
<b>Key category (Chapter 8):</b> <b>Obligations of responsibility and accountability</b>			
Responsibility: Property - importance	Important to control assurance		Unimportant to control assurance
Property - type	Personal responsibility	Unspecified	Individual responsibility
Property - basis	Based on shame	Unspecified	Based on guilt
Understand individual morality	Important to control assurance		Unimportant
Reluctance to accept responsibility	Reluctant		Not reluctant
Accountability: Property - importance	Important to control assurance		Unimportant to control assurance
Property – whether distinguished from responsibility	Same as responsibility		Different from responsibility

<u>Categories, sub-categories and properties</u>	<u>From:</u>	<u>Dimensions</u>	<u>to:</u>
Accountability: Property – what it consists of		Non-delegateable responsibility, or Responsibility + role or Non-delegateable responsibility + role, or Responsibility + explanation, or Responsibility + role + explanation.	
Explanation on fulfilling responsibility	Part of accountability		Not part of accountability
Roles of being responsible and to whom responsibility is owed	Part of accountability		Not part of accountability
<b>Key category (Chapter 9): Internal relations</b>			
Staff expected to be reliable or to make a wider contribution	Contribution		Reliability
Empowerment	Important to control assurance		Unimportant to control assurance
How bosses are expected to behave towards their subordinates		Coach and develop staff, or Instruct staff, or Protect and look after staff.	
Loyalty: Property - to whom or what		Themselves, or Their boss, or Their team / organisation	
Property – contingent or unconditional	Contingent		Unconditional

*Appendix E: Selective coding categories*

<u>Categories, sub-categories and properties</u>	<u>From:</u>	<u>Dimensions</u>	<u>to:</u>
Trust within organisation: types of trust		Between boss and subordinate at part of a 'Paternal hierarchy', or  As part of 'Empowerment'	
Types of organisational structure		Teams, or Hierarchy, or Roles, or Group of independent players	
Types of hierarchy		Paternal hierarchy, or Hierarchy based on ability or charisma of a leader, or Hierarchy based on organisational authority	
<b>Key category (Chapter 10): Information</b>			
Personal attention	Avoid		Do not avoid
Availability of information	Available, prefer transparency		Unavailable, prefer secrecy
Truth	Absolute truth and accuracy		Relative truth dependent upon situation and relationship
Relationship or transparency	Relationship		Transparency
<b>Key category (Chapter 11): Law, rules and procedures</b>			
Attitude to rule of law:  Property – respect for rule of law	Respected		Not respected, e.g. people more important than rules
Property – basis for attitude	Individual morality		Communal morality
Process for resolving disputes	Confrontational legal process, using lawyers and courts		Private mediation and agreement using relationships

*Appendix E: Selective coding categories*

<u>Categories, sub-categories and properties</u>	<u>From:</u>	<i>Dimensions</i>	<u>to:</u>
Procedures and internal regulations:  Property – contribute to control assurance	Contribute to control assurance		Do not contribute to control assurance
Property – how many regulations or procedures	Propensity to issue many regulations or procedures		Unlikely to issue many regulations or procedures
Property - basis for usefulness and acceptability of internal rules and procedures		Accompanied by feeling, or Accompanied by reason and understanding, or  Promote efficiency, or  Supported by authority and sanction.	
Property – mitigation (managers gain control assurance against undesirable consequences)	Mitigation important to control assurance, e.g. flexible interpretation or ambiguity		Mitigation not important to control assurance
Policies	Important to control assurance		Not important to control assurance
<b>Key category (Chapter 12): Systems logic</b>			
View of time and planning	Sequential		Synchronous
Long term planning	Important		Futile
Management control focus on		Opportunities, or  People and relationships or,  Processes	
Thinking	Conceptual and reductionist		Contextual and synthesising
Relative importance of	General principles		Pragmatic solutions

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