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UNIVERSITY OF GLASGOW

**Perceptions of management control
by mainland Chinese, Czech and British managers**

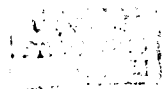
by

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Thesis submitted for Doctor of Philosophy

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ABSTRACT

This exploratory research inquires into the effect that national culture, among other cross-national factors has upon perceptions of management control. It studies differences in control perceptions between mainland Chinese, Czech and British managers working for two Western multi-national companies (MNCs).

Different perceptions can lead to misunderstanding and thence to weak, or break down in, control. Barriers of national culture and differences in national contexts pose ever greater challenges for managers who need to provide or receive assurance that their business is under effective control. They also have implications for regulation of internal control of MNCs.

Empirical cross-national research to date into management control is to a large extent inconsistent, and offers little support for theory. Existing theory appears to be insufficiently grounded in past empirical research to provide a sound foundation for hypotheses and future nomothetic research. Middle range methodology is put forward as a way out of this quandary.

Middle range research between objectivist and subjectivist methodologies faces competing criteria for rigour. Criteria are interpreted for middle range methodologies and developed for grounded theory case studies.

The main features of the substantive theory from this grounded theory (Strauss and Corbin, 1998) case study are that there is no standard perception of management control. Control perception is therefore unpredictable from a manager's cultural background. Yet, clear patterns in control perceptions emerge between countries of upbringing; these patterns are distinct from differences between the 2 MNCs. Six key areas of differences in perception are analysed (external relations, obligations of responsibility and accountability, internal relations, information, law and procedures, and systems logic). A number of values and preferences, generally shared by managers from the same country, appear to underlie these differences in perception. Differences in control perception are related to national cultures and other contextual factors, yet all of these are seen as potentially interdependent.

This substantive theory does not provide a basis for prediction. It is a skeletal theory that can be transferred to other situations where researchers and practitioners find it applicable. It may there give awareness of possible differences in control perceptions, assist explanation, and contribute to the building of consistent knowledge and learning. Awareness and understanding of cultural differences in control perceptions are shown to be useful to ethnocentric or polycentric approaches to management control. They may also assist reconciliation of cultural differences for management that adopts a geocentric approach.

Perceptions by the managers from the Czech Republic and mainland China are generally inconsistent with accountability theory, although not with a systems approach to management control. The implication is that some management control theories may be parochial to the cultures in which they have been developed. This has policy implications for how far professional guidance and standards on internal control (COSO, 1994; IIA – UK, 1994; APB, 1995; Turnbull, 1999) can be applied internationally without recognising the impact of national culture and other cross-national contextual factors.

"To serve truth, that is, to serve the real aim of life"
V. Havel in 1978 (Havel, 1991a, page 192)

"Vérité en-deça des Pyrénées, erreur au-delà"
B. Pascale 1623 – 1662

*"There are truths on this side of the Pyrenees
which are falsehoods on the other"*
translation by Hofstede (1984, frontispiece)

故兵無常勢，水無常形，能因敵變化而取勝者，謂之神
Sun Tzu, around 400 BC (Sun Tzu 1988a, page 86)

*"So a military force has no constant formation,
water has no constant shape:
the ability to gain victory by changing and
adapting according to the opponent is called genius"*
translation by Cleary in Sun Tzu (1988b, page 113)

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CHAPTER 1. INTRODUCTION

This first chapter sets the scene by posing the research question and examining why it is important. The key terms of management control and national culture are also defined. Chapter 2 examines the present state of knowledge in this field. This shows that national culture cannot be seen as a solitary independent variable, but one of many cross-national variables that may interact with management control. It also shows that empirical research has been poorly supported by theory, and therefore would benefit from a change in emphasis towards middle range methodology. This is taken up in Chapter 3, which examines the implications of choosing grounded theory case study research as an example of middle range methodology. It includes evaluative criteria for this research approach. Chapter 4 describes how the research was done and how these criteria were met. Chapter 5 sets the scene for the findings by describing the context of the case study. Findings of the research are presented and analysed in Chapters 6 to 13. They start with findings from open and axial coding in Chapter 6, and are followed by a chapter on each of 6 key categories from selective¹ coding. Chapter 13 corroborates the findings with quantitative tests, before the findings are brought together into a substantive theory in Chapter 14. The final Chapter gives limitations of the research, a summary of its contributions, and an indication of the implications that these present for the practice and theory of cross-national management control; it also suggests areas for future research.

1.1 *The research question*

The research question for this exploratory research was, at the outset of the fieldwork, as follows:

What effect does national culture, among other factors, have upon how managers perceive management control in terms of what management control is, and what is necessary or conducive for providing control assurance?

During the fieldwork, when the core category was selected, the study was focused more specifically on differences between managers from different countries in their

¹ Open, axial and selective coding are phases in the Strauss version of grounded theory research (Strauss and Corbin, 1990 and 1998) which is adopted for this study.

perceptions of gaining control assurance. This also clarified that the research was concerned with cross-national factors². The research question was therefore rephrased³ as:

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 key terms 'national culture' and 'management control', in this question, are next explored and defined, in order to flesh out the meaning of this question.

1.2 Management control and control assurance

Academic texts concerning control in the context of management accounting (Anthony, 1965; Emmanuel, Otley and Merchant, 1990; Johnson and Kaplan, 1991; Macintosh, 1994) tend to use the phrase 'management control'. Texts concerned with the design and use of control systems for management, generally use the phrase 'management control systems' (Maciariello and Kirby, 1994; Merchant, 1998). Texts concerned with control in the context of strategy tend to use either management control (Simons, 1995) or 'strategic control' (Goold and Quinn, 1993). Auditors and accountants tend to use the phrase 'internal control' as exemplified in professional pronouncements (COSO, 1994; IIA - UK, 1994 and 1998; Rutteman, 1994; Turnbull, 1999). These terms are assumed here to be synonymous, so long as 'internal control' is understood to be wider than controls to support financial reporting. A wide meaning of internal control is consistent with developments of reporting by UK companies on their internal control, from recommendations of the Cadbury report (1992) to the Turnbull guidance (1999). These show that internal

² The article by Bhimani (1999) clarified the importance of cross-national, rather than merely cross-cultural research, into management control.

³ This rephrasing of the research question, to reflect the tighter focus of the core category, is consistent with the Strauss and Corbin (1998) version of grounded theory research adopted here. Although this was a narrowing of focus, rather than a change of direction, the possibility is recognised that the nature and boundaries of a case of study into management control may evolve (Otley and Berry, 1994).

control goes well beyond financial control. This broad scope is also found in the USA (COSO, 1994).

A broad scope for management control is reflected in the 57 varieties of control listed by Rathe (1959). It is also seen in definitions of management control that emphasise its scope and variety of meanings. This is seen in the often quoted (Emmanuel et al., 1990; Banaga et al., 1995; Berry et al., 1995) definition by Lowe:

"a system of organization information seeking and gathering, accountability, and feedback designed to ensure that the enterprise adapts to changes in its substantial environment and the work behaviour of its employees is measured by reference to a set of operational sub-goals (which conform with overall objectives) so that the discrepancy between the two can be reconciled and corrected for." (Lowe, 1971, page 5)

Flamholtz (1983; 1996; Flamholtz et al., 1985) describes a comprehensive framework for organisational control. These academic views show that management control goes well beyond the means, 'controls' or control methods, to include the aim of achieving 'control' (Drucker, 1964). Recognition of the potential for individual control methods to complement or substitute for each other in providing control (Otley, 1980; Fisher, 1995), indicates the importance of retaining sight of the broader concept of control while researching the means to achieve it.

There is a theme in this wider control concept, of assuring (Anthony, 1965) or ensuring (Otley 1983; Otley and Berry 1980) achievement of objectives, and of increasing the probability of achieving the organisation's objectives (Flamholtz, 1983; Birnberg and Snodgrass, 1988). Professional guidance and pronouncements define control in terms of providing reasonable assurance of achieving objectives (COSO, 1994; CICA, 1994; IIA – UK, 1994 and 1998; Turnbull, 1999).

The working definition of management control used in this research builds on this concept of assurance, attempts to remove some of the most obvious culturally bound concepts such as 'reasonable' from the professional definitions, and attempts to hold onto the breadth of some academic definitions. It is as follows:

Management control is the 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.

Control assurance takes a central part in this working definition. Existence or the extent of control then rests on subjective assessment of uncertainties concerning whether control objectives are likely to be achieved. Control also rests on personal views of what is necessary or contributory for control, which may or may not be shared between managers providing and those receiving control assurance. Control is then subjective, and it is dependent upon perception and the factors that shape perception. Control effectiveness is thus a matter of opinion.

Identifying internal or management control in terms of the objectives of the organisation leaves it open to coalition members to negotiate their own objectives (Cyert and March, 1992) or to agree to adopt objectives of outside stakeholders. These objectives may or may not include adaptation to changes in the organisation's environment and the formulation of new strategic goals (Otley, 1994; Simons, 1995).

1.3 National culture

Culture is a complex concept (Eagleton, 2000) for which Kroeber and Kluckhohn (1952) identified upwards of 164 different definitions.

Triandis' (1995, page 6) defines 'subjective culture' as

"shared beliefs, attitudes, norms, roles, and values found among speakers of a particular language who live during the same historical period in a specified geographic region".

His definition shares a number of similarities with other definitions or explanations of national culture, such as those by Hofstede (1991), Trompenaars (1993), and Schein (1992, 1996). Firstly, culture is shared among members of a group of people. There is also a common emphasis on basic assumptions and on what is subconscious, such as beliefs, attitudes and values, more than on explicit modes of behaviour.

According to this view, culture is ideational (Tayeb, 1988; Harrison, 1993). This means it is part of the rich complexity of contingencies that shape managerial and organisational processes, rather than a manifestation of organisational differences (Allaire and Firsirotu, 1984). It is then also a variable affecting organisations, rather than a 'root metaphor' for an organisation itself (Smircich, 1983). This ideational

view differentiates between action and culture. It thus “allows for the recognition that action and social relationships may also be conditioned by other, noncultural, contextual variables” (Child, 1981, page 324).

National culture is therefore defined for this research as:

Shared beliefs, attitudes and values among people living during the same historical period and brought up in the same country.

Country of upbringing is included in order to focus on acquisition during childhood of cultural values (Hofstede, 1991; Lenartowicz and Roth, 1999). It may also help resolve imprecision from widely dispersed countries sharing a common language.

1.3.1 National or other groupings of people

Hofstede (1991) points out that each person is a member of several groupings of individuals with whom they share ‘mental programming’; therefore each person carries several levels of culture corresponding to these groups. He identifies the following levels of culture or groupings within which culture is shared:

- national - according to one’s country,
- regional, ethnic, religious and linguistic groupings within a nation,
- according to gender,
- according to generation,
- according to social class,
- organisational – according to the company or organisational unit in which people work.

While recognising that nations should not be equated to societies (Child, 1981), Hofstede (1991), as a matter of expediency, adopts national frontiers to identify national culture. This expediency has been adopted by all the authors on national culture reviewed in Chapter 2. Yet it is recognised here that a national culture may embrace a wide variety of disparate sub-national regional cultures (Emmanuel et al., forthcoming).

A distinction between national and organisational culture appears in empirical based theory (Hofstede et al., 1990). It is illustrated in Figure 1.1. This indicates that organisational culture consists predominantly of common practices, whereas national culture consists predominantly of shared values. So these two types of culture may

operate and affect behaviour within organisations by different causal routes. This distinction, between culture shared between members of a nation and culture shared between members of an organisation, appears to be important to those concerned with international human relations management (Schneider, 1988), acquisitions (Morosini, 1998) and joint ventures (Yan and Gray, 1994), as well as management control (O'Connor, 1995).

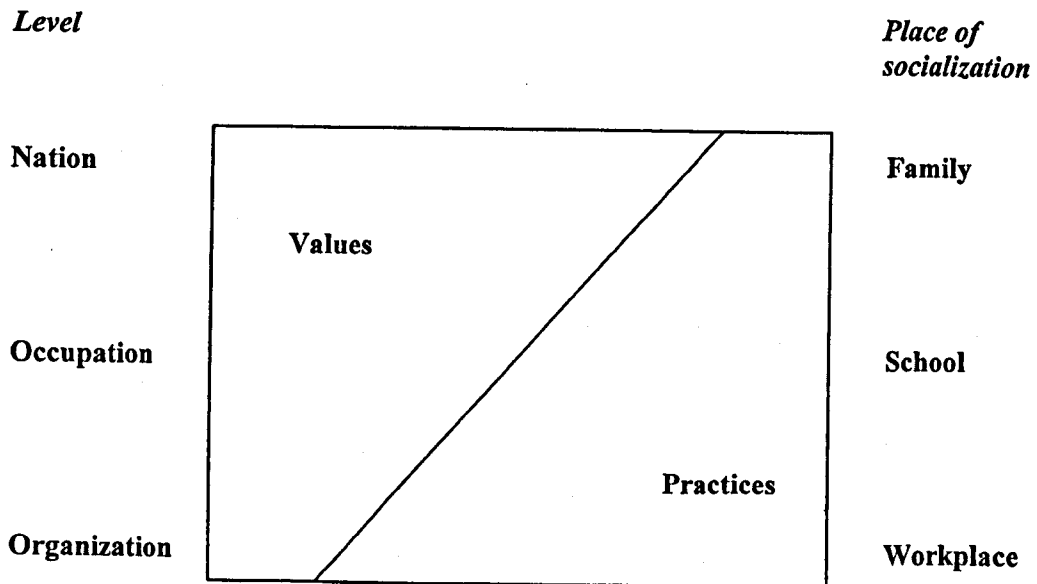


Figure 1.1: The nature of cultural differences: national, occupational and organisational levels (from Hofstede et al., 1990, page 312, Figure 2)

National culture is particularly important because, being formed largely during a person's early childhood, it has a persistent influence throughout their life (Hofstede, 1991). It rests upon shared, largely subconscious, assumptions (Schneider, 1988; Trompenaars, 1993). This research therefore addresses culture at the level where its effects are perhaps most difficult for practitioners of management control either to recognise or to escape. National culture cannot be wholly masked by an organisational culture (Laurent, 1986; Schneider, 1988), which was illustrated by national cultures showing strongly through the corporate culture of IBM in Hofstede's (1984, 1991) research.

1.3.2 Unbundling national culture

Hofstede's empirical identification (1984, originally published in 1980) provided a breakthrough in understanding and operationalizing national culture. He did this by developing four, and later five (Hofstede and Bond, 1988), cultural dimensions of Power Distance, Individualism, Masculinity or Femininity, Uncertainty Avoidance and Confucian Dynamism (definitions of these, as well of some other key terms in this dissertation are given in Appendix A). His dimensions of national culture provided a solution for the then prevailing problem when

"Cross-cultural management scholars continue to use cultural variables as residual elements without explicitly defining and operationalizing them"
(Negandhi, 1983, page 19).

Hofstede's original dimensions were developed in the field of cross-cultural research. They have now gathered widespread use and respectability (Sondergaard, 1994) in wider fields such as cultural psychology (Bond, 1996; Smith et al., 1996), and accounting regulation (Gray, 1988; MacArthur, 1996). Hofstede's original four dimensions are those that are most widely used to unbundle culture, at least in the field of management control (O'Connor, 1995). Yet they are not free of criticism. For example, his questionnaire was not designed to measure national culture and so may not be comprehensive (Miley and Read, 1995). His data may be out of date (Goddard, 1997; Harrison, 1993) as culture may change over time (Triandis, 1995). And his original four dimensions are a product of Western thinking (Chinese Culture Connection, 1987; Hofstede and Bond, 1988; Chow et al., 1994; Smith and Wang, 1996). Alternative dimensions, and instruments for measuring them, such as those developed by Schwartz (Schwartz and Sagiv, 1995) and by Trompenaars (1993; Trompenaars and Hampden-Turner, 1997), have the advantage of being purposely developed for measuring national cultures, and of being based on more recent data. More fundamental criticism of over-use of Hofstede's cultural dimensions (Bhimani, 1999; Harrison and McKinnon, 1999) is discussed in Chapter 2.

1.3.3 Etic or emic cultural values and implications for generalizability

Two roads lead on from Hofstede's work into dimensions of culture (Redding, 1994). One is the search for universal, or etic, value sets and how they might vary between cultures in their relative importance, as has been explored by Schwartz

(Schwartz and Sagiv, 1995). The other is to examine the local origins of those value sets and to search for indigenous, or emic, value sets that are not necessarily shared by other cultures (Chinese Culture Connection, 1987; Hofstede and Bond, 1988). Which road is taken has methodological implications:

"It raised the 'Malinowskian dilemma' (named after an early twentieth century anthropologist) of whether cultures can be understood from the outside (cross-culturally, nomothetically), or only in their own terms (from the inside, ideographically)" (Lammers, 1975).

The search from the outside for etic values points to culture as an objective fact that can be measured and understood from other cultures. It holds open hope that findings concerning culture might perhaps be generalizable to other similar cultures. Accordingly, culture that is composed of a variable weighting of universal values, may, using Burrell and Morgan's scheme of analysis (1979) have a realist ontology, be identifiable with nomothetic methodology, and be capable of objective verification and of adding to a wider body of universal knowledge using positive epistemology.

In contrast, emic values may be truly understood only by people with access to meanings of the particular culture. Culture of emic values would have a nominalist ontology. Its investigation would require access to local meanings, using ideographic rather than nomothetic methodology for its investigation. Findings concerning these indigenous values may be generalizable only within those local cultures. These would be valid using anti-positivist epistemology of adding to meaning rather than to objective knowledge.

The danger of an extreme nomothetic approach, such as use of closed question surveys, is that the cultures being studied from the outside may be misunderstood, so that the research findings are misleading or incorrect. The danger of an extreme ideographic approach, of studying a culture only from the inside, is that it precludes comparison to other cultures, making learning and practical application of its findings difficult. This question of whether to research culture nomothetically 'from the outside, or ideographically 'from the inside' (Evered and Louis, 1981), is taken up in Chapters 2 and 3.

1.3.4 Further problems with measuring national culture

Hofstede (1991 and 1994; Hofstede and Bond, 1988) stresses the importance of recognising cultural bias among researchers into national culture. He admits that his survey of IBM did not detect the cultural dimension of Confucian dynamism because the survey questions were a product of Western minds. This bias can be compounded by ethnocentrism (Boyacigiller and Adler, 1991), which tends to be particularly strong in Anglo-North American cultures (Redding and Martyn-Johns, 1979).

Nomothetic researchers of culture are concerned that questions they put are understood in the same way in each culture. They are therefore concerned about methods of translating questionnaires (Adler, 1983; Daley et al., 1985; Collins et al., 1995; Chow et al., 1999b).

Of more fundamental concern is functional equivalence. Each measurement should measure the same thing, that is be functionally equivalent in each of the cultures (Adler, 1983). This is complicated because, as Triandis (1995) points out, while a social situation may cause a particular behaviour pattern, some situations appear to be ambiguous.

“Overall, collectivists tend to change themselves to fit into situations; individualists try to change the situation to fit themselves” (op. cit. page 67).

Another problem of measuring cultural phenomenon is the question of whether a cultural value is core or peripheral in a particular culture (Lachman et al., 1994; Harrison and McKinnon, 1999). So, even where it is established that a cultural variable affects a management control variable, and the strength of the cultural variable is established, the strength of its effect upon the management control variables may still vary according to how important or core it is within the culture.

1.4 Why the research question is important

1.4.1 Why management control is important

Management control is well established as an important subject of study, to which Anthony (1965) was an important early contributor. Recently, it has been climbing the agenda of practitioners with the COSO report (1994) in USA, with the CoCo

report in Canada (CICA, 1994) and with developments of the UK corporate governance debate (Cadbury, 1992; Rutteman, 1994; Turnbull, 1999).

Businesses depend on management control for guiding their search for strategies and for ensuring that benefit is gained from strategic opportunities (CICA, 1994; Simons, 1995). They depend on control for providing some assurance that operations achieve organisational objectives (Anthony, 1964; COSO, 1994), and for managing risks⁴ and uncertainties that may prevent achievement of objectives (Turnbull, 1999) including strategic objectives (E.I.U. with Arthur Andersen, 1995). Businesses also depend upon management control for their very survival.

1.4.2 Why national culture is important

Multi-national businesses face competing demands for integration of global solutions, for convergence of ideas for global learning, and at the same time for responsiveness to local situations (Bartlett and Ghoshal, 1998). Chakravarthy and Perlmutter (1985; see also Rugman and Hodgetts, 1995) describe geocentric strategic disposition as a desirable, although difficult, response to competing pressures for global integration and local responsiveness. This geocentric orientation of an MNC requires collaboration between staff from different countries and national cultures (Perlmutter, 1969; Heenan and Perlmutter, 1979). According to Redding (1994, page 324), in

“a background of proliferating interaction and interdependence between cultures and nations as globalization takes hold ... the businessman has increasingly urgent needs for assistance from theory.”

Globalisation is cultural as well as political, technical and economic, creating pressures for both integration and local autonomy (Giddens, 1999).

⁴ ‘Risk’ is used here to include un-quantifiable as well as 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.

Interest in comparative management and the implications of national culture for management has grown with the post World War II growth and spread of multi-national enterprises (Scholhammer, 1969; Redding, 1994 and 1995). This interest has come from a number of fields. These include psychology with questions about the effect of national culture on such matters as motivation, leadership, negotiation, and organisational behaviour and learning (e.g. Roberts, 1970; Tannenbaum et al., 1974; Schein, 1992; Smith and Wang, 1996; George et al., 1998; and such publications as the *Journal of Cross-Cultural Psychology*). Interest has come from organisational theory, raising questions about national differences in organisational structures, roles and institutions (e.g. Child, 1981; Sorge et al., 1983; Whitley, 1999). Human resource management has raised questions about the effect of national culture on issues such as staffing, motivation, socialisation and career management (Granick, 1978; Laurent, 1986; Schneider, 1988; Yu, 1996). Management consultants have indicated the potential effects of national culture on a wide range of management issues (Hoeklin, 1995; Hampden-Turner and Trompenaars, 1994, 1997 and 2000). There is recognition of the effect of national culture and other cross-national factors on international joint ventures (Yan and Gray, 1994; Maruyama, 1996) and on acquisitions and mergers (Morosini, 1998).

The influence of national culture is also recognised in shaping theories for management disciplines, and in creating research bias in these fields (Boyacigiller and Adler, 1991; Redding, 1994; Hofstede, 1994). This should alert theorists and researchers to cultural bias of both existing theory and research approaches.

1.4.3 Why national culture is important to management control

With the spread of multi-national companies (MNCs), and the growth of foreign direct investment, management control across countries and national cultures takes an increasing part in ensuring continuing prosperity. The dilemma for international business of integration and convergence, while at the same time being responsive to local situations, poses a challenge for cross-national management control (Bhimani, 1999; Hopwood, 1999).

Interest in relationships between national culture and management control has arisen from questions about what control methods or controls are effective or dysfunctional in different countries and cultures (e.g. Chow et al., 1994). There has been inquiry

into the interaction of national culture and management control on performance (e.g. Chow et al., 1991; Frucot and Shearon, 1991), and questions raised about the transferability of control methods between countries (e.g. Chow et al., 1996; Harrison et al., 1994). Questions have been raised about the effects of national culture on control styles (Horovitz, 1980; Kreder. and Zeller, 1988; Vance et al., 1992), and attitudes to types of control (e.g. Birnberg and Snodgrass, 1988). Questions have been raised about decision making (Cohen et al., 1995), styles of communication (Chow et al., 1999a) and accountability (Ahrens, 1996) in different cultures. Chapter 2 will show that there is little consistency in answers provided by empirical research into these questions.

However, the problems for cross-national management control go deeper than what systems work in different cultures, and what controls can be transferred between national cultures. On the one hand, the underlying assumptions and values of national cultures affect how people from different countries act (Hofstede, 1991) and expect their managers to manage (Trompenaars and Hampden-Turner, 1997). Accordingly, one might expect management control practice to differ between countries⁵. On the other hand, culture “structures one’s perceptions of the world” (Adler, 1991, page 15; also Redding and Martyn-Johns, 1979; Stenning, 1979; Schneider, 1988; Schein, 1992). It may therefore be expected that perceptions of what management control is, and should be, could differ between national cultures. It is this more fundamental question of perceptions of management control, rather than how to achieve it, which is addressed in this research. This level of inquiry may point beyond what works to why it provides control assurance. Furthermore, if perception is necessary for understanding, differences in perception of control and control assurance may lead to misunderstanding between managers from different countries. These misunderstandings in turn can lead to weak control or ultimately to breakdown in management control. There may also be opportunities from

⁵ This is not to deny that differences in management control between countries may also arise from other factors besides national culture (Bhimani, 1999), such as contingencies of economic and market conditions, use of technologies (Child, 1981), and differences in institutions (Whitley, 1994 and 1999).

understanding differences in cultural perceptions, as Hoeklin (1995, page ix) points out that:

“When understood and successfully managed, differences in culture can lead to innovative business practices and sustainable sources of competitive advantage”

(also Lloyd and Trompenaars, 1993; Morosini, 1998; Mead, 1998; Hampden-Turner and Trompenaars, 1997 and 2000).

Inquiry into what management control is perceived to be in different national cultures is immediately pertinent to new requirements for quoted British companies to review and report on the effectiveness of their control (Turnbull, 1999). These new guidelines, while applying to MNCs, do not consider whether what is effective within British culture is also considered to be effective by managers and investors of other national cultures. It remains to be seen whether the framework of questions offered in the Appendix to the Turnbull (1999) guidance for directors, or the recommendations of the US COSO report (1994), are applicable beyond British culture and US culture respectively.

Differences in perceptions of what management control is, and of what provides control assurance, may be useful to international auditors who report on the effectiveness of controls to clients from different national cultures. It may also be useful to consultants who are asked to advise on the effectiveness of management control in cross-cultural settings. Finally, it may be useful to managers and consultants who use cross-national benchmarking of management control systems.

Thus answering this research question may show whether what is studied as management control in, for example Anglo-Saxon cultures, is the same phenomenon as found in other national cultures. It is therefore likely to be of concern to management control theorists. It may show whether management control theories are applicable outside the cultures where it has been developed, or whether they are ‘parochial’ theories applicable only in the cultures where they were developed (Adler, 1983).

This research question is also likely to be of interest to comparative management theorists, as it may add examples from the field of management control to the more

familiar studies into organisation structure, human resource management and strategy (Redding, 1994; Redding, 1995; Mead, 1998).

However, the research question is also important even if no differences are found between national cultures in perceptions of management control. This would indicate what is universal between the national cultures studied. It would indicate that professional pronouncements on management control, such as COSO (1994) and Turnbull (1999), are applicable outside Anglo-US cultures, that Anglo-Saxon management control theory may not be culturally dependent.

1.5 Research purpose

The ultimate purpose for this research question is to assist managers achieve organisational objectives in the various countries and national cultures where they operate. Contributing to academic knowledge of management control in different countries, in order to advance education and understanding of present and future managers, is an objective. The present research study is an initial exploratory step. The aim for this exploratory research is to map out what is of potential importance to people involved with management control between national cultures, and to raise questions for practitioners and theorists, rather than to provide solutions or definitive answers.

Even if this does not tell practitioners how to design cross-cultural management control systems, it may at least alert them to some of the differences, if there are any, in how the systems are seen and received. Assisting sensitivity of cross-cultural managers to different perceptions of management control may facilitate both cultivation of geocentric management styles (Perlmutter, 1969; Heenan and Perlmutter, 1979) and construction of 'transnational solutions' (Bartlett and Ghoshal, 1998). This cultural sensitivity may help managers whether they are expatriates, or local managers working with expatriate staff, or members of multi-cultural team.

As will be shown in Chapter 3, the methodology used in this research is not sufficient to provide a theory that can predict what will be found in different settings. The aim of this exploratory research is, however, to aid understanding and interpretation, rather than to provide a tool for prediction.

CHAPTER 2. LITERATURE REVIEW

Cross-national research into management control – moles in search of earthworms?

2.1 Introduction

“Cross-national research in management control is methodologically at a stage of infancy” (Bhimani, 1999, page 434).

This chapter attempts to identify why empirical research in this field is disjointed, to some considerable extent inconsistent, and largely not supportive of cultural theory. It also shows how these gaps and inconsistencies, together with more attention given to control methods or controls rather than control in the sense used by Drucker (1964), have led to not very much being learnt about differences in management control between countries.

A series of comparative management reviews have taken a zoological theme to how national culture has been recognised and investigated from organisational sciences to form the discipline of comparative management. Metaphors have run from a jungle (Schollhammer, 1969), through an elephant (Roberts, 1970), ostrich (Adler, 1983), with increasing exasperation to dinosaur (Boyacigiller and Adler, 1991), culminating in the fossil bed (Redding, 1994). These earlier reviews are not reiterated here, as the purpose is only to map out what is immediately relevant in the present review of management control in different countries. But this theme of zoological metaphors is continued with the mole, in order to symbolise myopic concentration on worms of a few controls and on a few cultural dimensions, which has diverted attention from understanding the broader field in terms of the significance of control in its full cross-national context.

This chapter builds on two recent reviews of management control in different countries or national cultures. Firstly, Bhimani (1999) divides the majority of existing research into a convergence school, concerned with deterministic macro-economic and supra-national societal forces, and a slightly less deterministic cultural contingency school. He identifies a third ‘societal effects’ school, for which there are few examples of empirical research to date (the Child and Kieser, 1979, study

probably falls into this school). This school neither appeals to universal influences nor gives precedence to cultural explanations. He proposes a fourth school, based on new institutionalism (Powell and Dimaggio, 1991) and 'new history', as a possible way forward for future research. These four schools are put onto a continuum ranging from deterministic, nomothetic research looking for universal knowledge of purposeful management control, to voluntaristic, ideographic research in search of contextual knowledge of emergent management control.

The second review built on here is that by Harrison and McKinnon (1999). They find 4 weaknesses in existing cross-cultural research into management control. These are failure to consider the totality of culture in theoretical development of some of the studies, failure to consider explicitly the differential intensity of cultural norms and values between nations, a tendency to treat culture simplistically, and a restricted conception of culture in terms of shared values. They recommend future research to take sociological, anthropological and historical views of culture.

The review in this chapter builds on these earlier reviews by giving further analysis of the empirical research to date and of the methodologies used. By examining in more depth some of the methodological issues raised in these earlier reviews, it posits reasons for the present state of knowledge in the field. It points to how the present difficulties may be resolved without necessarily moving from the ideational view of culture, which has been taken by nearly all of the empirical research into this field to date. Therefore, while Bhimani's (1999) and Harrison and McKinnon's (1999) recommendations for new institutionalism, sociological, anthropological and new historical frames of reference may offer a way out of current problems, they are not essential.

The next section identifies the field of inquiry. It is followed in the third section with an analysis of the findings of the studies, which examines the gaps and degree of consistency between studies and with cultural theory. The fourth section examines the methodologies used in order to explain the gaps and inconsistencies in findings. This is done by building a framework for methodological analysis, which is based upon work on middle-range methodologies in comparative management by Redding (1994) and in accounting by Laughlin (1995). The chapter concludes with suggestions for future cross-national research into management control, which are reflected in this study.

2.2 *The field of enquiry*

The term ‘cross-national research into management control’, used in this chapter and reflected in this study, has been taken from Bhimani (1999). It includes comparative research of management control between national cultures. The distinction from ‘cross-cultural research’ is deliberate. Firstly, many of the studies examined here have used countries as proxy for national cultures, with the result that it is not clear whether they are studying differences in national cultures or differences between countries in other socio-economic factors. Secondly, it recognises that other socio-economic factors, such as institutions, state of economic development and market forces, besides cultures, may affect management control.

Cross-national research in management control is a sub-set of management control research and of comparative management research. It very often includes cross-cultural research. It therefore draws on research methods, findings and inspiration from these areas of research.

2.3 *Empirical studies*

This section looks at 34 empirical studies into how management control may differ between national cultures. They are summarised in Table 2.1. This is not an exhaustive list. What to include or exclude from a survey is not always straightforward. Among cross-national organisation studies, that of Child and Kieser (1979) is included because it specifically considers management control. Some studies, such as Cohen et al. (1995) on ethical judgements and Chow et al. (1999a) on communication, are included because their topics are seen as important components of management control (COSO, 1994). Above all, studies are included because they have something to inform us, or set out to say something, about cross-national management control. Birnbaum and Wong (1985), is excluded, although included in Harrison and McKinnon’s (1999) survey, because it is not clear to this researcher what comparison was made between managers from different countries.

Author(s):	Cultures of:	Cultural dimensions	Found:	Researched:		
			Country or culture effect	Control methods	Control components	Types of control
Tannenbaum, Kavcic, Rosner Vianello and Wieser (1974)	USA, Austria, Israel, Italy, Yugoslavia	None	Yes	-	X	X
Child and Kieser (1979)	UK and W. Germany	None	Yes	X	X	X
Granick (1972, 1978 & 1979)	GB, France, USA, USSR	None	Yes	X	-	-
Horovitz (1980)	UK, Germany, France	None	Yes	X	X	X
Lincoln, Hanada, Olson (1981)	USA, Japan	None	Yes	-	-	X
Inzerilli and Laurent (1983)	France, USA	None	Yes	-	X	X
Daley, Jiambalvo, Sundem & Kondo (1985)	USA, Japan	None	Yes	X	X	X
Snodgrass and Grant (1986)	USA, Japan	None	Yes	X	-	X
Kelly, Whatley and Worthley (1987)	USA, Mexico, Japan, Hong Kong	None	Yes	X	X	X
Birnberg and Snodgrass (1988)	USA, Japan	Homogeneity of values	Yes	-	X	X
Kreder. and Zeller (1988)	Germany, USA	None	Yes	X	X	X
Chow, Shields and Chan (1991)	USA and Singapore	Hofstede's: IDV	No	X	-	-
Frucot and Shearon (1991)	USA, Mexico	Hofstede's: PD, IDV, UA, Face, Locus of control, Acquiescent response bias	Yes	X	-	X
Harrison (1992)	Australia, Singapore	Hofstede's: PD, IDV	Yes	X	-	X
Ueno and Sekaran (1992)	USA, Japan	Hofstede's: IDV, UA	Yes	X	-	-
Vance, McClaine, Boje and Stage (1992)	USA, Indonesia, Malaysia, Thailand.	None	Yes	X	X	X
Coates, Davis, Longden, Stacey and Emmanuel (1993)	USA, UK, Germany	None	Yes	X	-	X
Harrison (1993)	Australia, Singapore	Hofstede's: PD, IDV	Yes	X	-	-
Ueno and Wu (1993)	USA, Japan	Hofstede's: IDV, UA	Yes	X	-	-
Chow, Kato and Shields (1994)	USA, Japan	Hofstede's: PD, IDV, Mas, UAI	Yes	X	-	X
Harrison, McKinnon, Panchapakesan and Leung (1994)	USA, Australia, Singapore, HK.	Hofstede's: PD, IDV, (UAI not found), Confucian dynamism	Yes	X	X	X
Otley, Hannakis and Lindsay (1994)	Anglo-Saxon, Continental Europe, Hong Kong & Singaporean, African/Arab students	Locus of control	Yes	X	-	X
Brewer (1995)	USA, Malaysia, Singapore	Hofstede's: PD, IDV, Face, Locus of control	Yes	X	-	-
Cohen, Pant and Sharp (1995)	USA, Japan and Latin America	Hofstede's: PD, IDV, Confucian dynamism	Yes	-	X	-
Collins, Mendoza and Munter (1995)	USA and Latin America	None	Yes	X	-	-
Merchant, Chow and Wu (1995)	USA, Taiwan	Hofstede's: PD, IDV, Mas, UAI	No	X	-	-
O'Connor N. (1995)	Local co's and MNCs in Singapore	Hofstede's: PD, IDV	Yes	X	-	X
Ahrens (1996)	UK, Germany	None	Yes	-	X	-
Chow, Kato and Merchant (1996)	USA, Japan	Hofstede's: PD, IDV, UA	Yes	X	-	X
Lau, Low and Eggleton (1995)	Singapore, replication of US study	None	Yes	X	-	X
Lau, Low and Eggleton (1997)	Australia, Singapore	Hofstede's: PD, IDV	Yes	X	-	X
Chow, Harrison, McKinnon and Wu (1999)	Australia, Taiwan	Hofstede's: IDV, PD, Face	Yes	-	X	X
Chow, Shields and Wu (1999)	US, Japanese & Taiwan owned firms in Taiwan	Hofstede's: IDV, PD, UAI, MAS	Yes	X	-	X
Metz, Scheytt and Soin (2000)	Austria, France, Germany, UK	None	Yes	-	-	-

Table 2.1: Empirical cross-national studies into management control

The third column of Table 2.1 shows that all but 2 of these 32 empirical studies have found a country or national culture effect upon some aspect of management control.

2.3.1 Control methods or means to achieve control

Author(s)	Cultures of	Control methods researched
Child and Kieser (1979)	UK and W. Germany	Procedures, job definitions
Granick (1972, 1978 & 1979)	GB, France, USA, USSR	Reward & remuneration
Horovitz (1980)	UK, Germany, France	Report frequency & content
Daley, Jiambalvo, Sundem & Kondo (1985)	USA, Japan	Budgets, Performance evaluation, Review by others
Snodgrass and Grant (1986)	USA, Japan	Monitoring, eval, reward, Job descr, eval crit, org chart/hier, hire/fire, training
Kelly, Whatley and Worthley (1987)	HK Chinese, Japanese & Mexican managers, in own countries and in USA, US Caucasians	Self development, Long term employment, Group appraisal, Promotion by seniority, Written procedures
Kreder. and Zeller (1988)	Germany, USA	Personal intervention or regulation,
Chow, Shields and Chan (1991)	USA and Singapore	Responsibility centres, Pay
Frucot and Shearon (1991)	USA, Mexico	Budgets
Harrison (1992)	Australia, Singapore	Budget, Evaluation.
Ueno and Sekaran (1992)	USA, Japan	Budget, Evaluation.
Vance, McClaine, Boje and Stage (1992)	USA, Indonesia, Malaysia, Thailand.	Performance appraisal. Participation in decisions, Intrinsic or extrinsic rewards, Frequency of evaluation
Coates, Davis, Longden, Stacey and Emmanuel (1993)	USA, UK, Germany	Objectives, performance measures, incentives
Harrison (1993)	Australia, Singapore	Accounting performance measures, Evaluation
Ueno and Wu (1993)	USA, Japan	Budget, Evaluation.
Chow, Kato and Shields (1994)	USA, Japan	Formal rules, Top down planning, Standard tightness, Controllability filters, Rewards
Harrison, McKinnon, Panchapakesan and Leung (1994)	USA, Australia, Singapore, HK.	Responsibility centres, Quantitative planning & control techniques
Otley, Hannakis and Lindsay (1994)	Anglo-Saxon, Continental Europe, Hong Kong & Singaporean, African/Arab students	Budget
Brewer (1995)	USA, Malaysia, Singapore	ABC implementation, Resistance to ABC
Collins, Mendoza and Munter (1995)	USA and Latin America	Budget games
Merchant, Chow and Wu (1995)	USA, Taiwan	Group or individual Performance dependent reward, Long term performance evaluation, Subjective evaluation
O'Connor N. (1995)	Local co's and MNCs in Singapore	Budget, Performance evaluation, Selection, Socialization
Chow, Kato and Merchant (1996)	USA, Japan	Profit and expense targets. Headcount
Lau, Low and Eggleton (1995)	Singapore, replication of US study	Budgets, budget participation
Lau, Low and Eggleton (1997)	Australia, Singapore	Budgets, budget participation
Chow, Shields and Wu (1999)	US, Japanese & Taiwan owned firms in Taiwan	Written policies & rules, Controllability filters, Reward for budget performance

Table 2.2: Empirical cross-national studies into control methods

Most of these studies inquire into control methods, or the means, that managers use to provide management control, as shown in the 4th column of Table 2.1. These are summarised in Table 2.2. While setting out to tell us about how these control methods are, or may be, used in different national cultures, this level of research does not, on its own, say much about the wider concept of management control. It does not inform us much about, for example, how specific control methods fit into wider systems of management control in different countries, what is necessary or conducive for management control, what sort of overall management control systems are used, preferred or relied on, and what is the significance and meaning of management control in each culture. And yet, comparison of the 4th to 6th columns of Table 2.1 show that control methods have received more attention in these studies than have more informative analysis of control components or types of management control. This review therefore compares findings of control components and types of control rather than findings of control methods.

2.3.2 Components of control

The outcomes of control methods are identified as generic components of management control. 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. These control components, such as authority, responsibility, accountability, information and communication, are examples of components of, or criteria for assessing, internal control set out in professional pronouncements (COSO, 1994; CICA, 1994; Rutteman, 1994). It may be expected that the existence of various combinations of these control components provide control assurance to managers and others who seek control assurance. Moving from control methods to components therefore takes the analysis closer to the fundamental question of what management control is seen, or expected, to be in different cultures.

A summary of the control components researched by the empirical studies is summarised in Table 2.3. Findings for a selection of the control components are analysed here in order to see what consistent knowledge has emerged. This concentrates on control components that have received most frequent attention in these empirical studies.

Author(s)	Cultures of	Control components
Tannenbaum, Kavcic, Rosner Vianello and Wieser (1974)	USA, Austria, Israel, Italy, Yugoslavia	Authority, Sanction
Child and Kieser (1979)	UK and W. Germany	Perceived authority
Horovitz (1980)	UK, Germany, France	Information, Motivation
Inzerilli and Laurent (1983)	Fance, USA	Objectives, Authority
Daley, Jiambalvo, Sundem & Kondo (1985)	USA, Japan	Motivation
Kelly, Whatley and Worthley (1987)	HK Chinese, Japanese & Mexican managers, in own countries and in USA, US Caucasians	Motivation
Birnberg and Snodgrass (1988)	USA, Japan	Information, Co-operation
Kreder. and Zeller (1988)	Germany, USA	Authority, Motivation
Vance, McClaine, Boje and Stage (1992)	USA, Indonesia, Malaysia, Thailand.	Responsibility
Harrison, McKinnon, Panchapakesan and Leung (1994)	USA, Australia, Singapore, HK.	Responsibility
Cohen, Pant and Sharp (1995)	USA, Japan and Latin America	Ethical values
Ahrens (1996)	UK, Germany	Accountability, Information
Chow, Harrison, McKinnon and Wu (1999)	Australia, Taiwan	Information & communication

Table 2.3: Empirical cross-national studies into control components

Authority:

While formal authorities, for example to commit to sales orders or to expenditure, can be deliberately implemented as a part of a management control system, *de facto* authority can be seen as affecting how people actually behave. It is in the latter sense of a control component, that authority is considered here.

Hofstede (1991) relates different concepts of authority to various nations, and by implication to their cultures. He quotes Henri Fayol (1841 - 1925), a Frenchman, for whom authority was based both upon personal authority, consisting of intelligence, knowledge, experience, moral value, leadership, service record, etc., and upon statutory authority from holding an office. He also refers to Weber's authority in bureaucracy based upon rules. These he contrasts with views of Frederick Winslow Taylor and Mary Parker Follet, both Americans, for whom authority was based on neither the person nor rules, but in the particular situation. Finally, Hofstede draws a connection between authority of the president in Taiwan to a 'family' model of organisation where structure is based upon personal relationships (see also Whitley,

1994, concerning authority in Chinese and Korean businesses). This could be taken to suggest a separate basis for authority in each of his four models of organisation. These are a situation basis for the 'village market' model, rules for the 'well-oiled' machine, personal together with office for the 'pyramid of people' and personal relationships for the 'family' model. These models, which are discussed in more detail below, are outlined in Figure 2.1. Although Hofstede linked these theoretical bases for authority to his cultural dimensions of Uncertainty Avoidance and of Power Distance⁶, he appears not to have offered empirical research to support these conjectures.

Empirical evidence that authority may mean different things in France and USA is provided by Inzerilli and Laurent (1983). They found that French managers tend to view authority in terms of their 'social conception' of structure. According to this conception, authority is defined in terms of status, it is personal to a manager and extends beyond his or her functions in the organisation, and it cannot be challenged on rational grounds. This appears to support Hofstede's inclusion of a personal basis of authority in his 'pyramid of people' model, but not to support the office a manager holds as a basis for his or her authority. Inzerilli and Laurent found US managers more likely to view authority in terms of their 'instrumental conception' of structure, according to which authority is impersonal, has a rational basis and is confined to a manager's function. The functional element in particular appears to support Hofstede's situational basis for authority in his 'village market' model. The personal and functional bases for French and US managers are illustrated by findings from Laurent's survey (1983) that 83% of French managers thought that reporting by a subordinate to two direct bosses should be avoided at all costs, while only 52% of US respondents agreed with this view. Hofstede (1991) attributes this reluctance to his Uncertainty Avoidance dimension of national culture, which is one of the dimensions against which he maps his models of organisation.

⁶ Cultural dimensions, such as Uncertainty Avoidance, are variables that have been measured empirically, for example by Hofstede (1984, 1991) or by Trompenaars (1993; Trompenaars and Hampden-Turner, 1997). They are defined in Appendix A, and written here with a capital letter in order to distinguish them from more general meanings of these terms.

However, Hofstede's expectations for authority in Britain and Germany are not supported by Child and Kieser's (1979) empirical research. They found that German departmental managers' roles were more dependent "upon personal decisions of top managers (particularly the chief executive and members of the supervisory board), as opposed to their position being formally and 'objectively' defined in a somewhat legal-rational manner" (ibid. page 265). This was apparently supported by earlier research by Heinz Hartmann. In contrast, that for British managers' tended to be formally defined in job descriptions or organisation charts. They conclude that people's expectations about authority in Germany and Britain are culturally specific.

Tannenbaum et al. (1974) asked employees of plants in Israeli kibbutzim, USA, Italy, Austria and Yugoslavia about six bases of power within their organisations. Their findings are summarised in Table 2.4, in which possible correspondences with bases suggested by Hofstede are added in brackets. This shows that although there were some differences between countries in the importance of each these bases, the ranking of the 1st, 5th and 6th of these bases is very similar across the 5 countries. Hofstede's conjectures would suggest that, while US employees would tend to the 6th base (situational), Italian and Yugoslav employees would tend toward the rule basis and the personal base of competence and judgement, and Austrian employees more towards the rules basis. Their findings do not therefore give much support to Hofstede (1991).

		Average small and large plants									
		Italy		Austria		USA		Yugoslavia		Israeli Kibbutz	
		Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
1	Competence and judgement (personal and situational)	3.30	3	3.70	3	4.15	3	3.80	3	3.50	3
2	Able to dispense help and benefits	2.20	5	3.05	5	3.45	4	2.95	5	1.30	5
3	Able to dispense punishments and disadvantages,	2.05	6	2.25	6	2.55	6	2.75	6	1.10	6
4	Attractiveness as an individual,	2.50	4	3.35	4	3.25	5	3.25	4	2.00	4
5	Right and duty (rules)	4.20	1	4.20	2	4.35	2	4.25	2	4.20	2
6	Necessity for achieving a larger organisational purpose (situational)	3.95	2	4.30	1	4.50	1	4.40	1	4.60	1

Table 2.4: Bases for superior's power (based on Tannenbaum et al., 1974)

In summary, there is empirical evidence that perspectives of authority tend to vary between cultures. However, there is insufficient evidence either to support or to

reject Hofstede's expectations in his organisational models concerning bases for authority.

A question, perhaps more fundamental than who has authority and on what it is based, is how important managers of different national cultures think that authority is to management control. Laurent (1983) comes very close to considering this in his empirical research into basic and implicit beliefs about effective action in organisations and about what proper management should be. He found that authority is a less important aspect of organisation than role formalisation and that its relative importance thereafter varies between cultures. French managers placed the highest, and US managers the lowest importance on authority systems. However, he does not exactly address issues of management control, because the questions he asked include neither achievement of organisational objectives, goals, standards or purposes, nor avoidance of undesirable results. These findings are therefore merely indicative of the importance for the managers he studied of authority to management control.

Kelley et al. (1987) also found empirical evidence of relatively low regard for authority in the USA. They found significantly greater respect for formal authority among Japanese managers than among Americans managers of either Caucasian or Japanese race.

Motivation:

Table 2.3, shows 5 studies that have inquired into relationships between national culture and motivation, including the spur of sanctions. However, little link has been made between these findings and cultural theory.

Although Daley et al. (1985) found that US managers strongly support linking pay to performance, and do so more than Japanese managers, the difference was not significant. This gives some, but not much, support to expectations based upon cultural theory (Trompenaars and Hampden-Turner, 1997), which suggests that USA with a more Individualistic culture than Japan would have a stronger preference for this sort of motivation.

Kelley et al. (1987) found in their empirical study that managers in Japan have a significantly more favourable attitude to self-motivation than is held by managers in

USA. Theorists suggest that people from Collectivist cultures are more likely to be motivated by the positive regard and support of their colleagues (Trompenaars and Hampden-Turner, 1997), and also by their concern for their colleagues (Triandis, 1995), than are people from Individualist cultures, such as USA. For Collectivists belonging to an in-group or organisation may be more important than individual self fulfilment of 'doing one's own thing' (Hofstede, 1991), or more important than the job itself or its pay (Boyacigiller and Adler, 1991). However, Kelley et al. give insufficient explanation about their survey questions to show whether Collectivist self motivation based upon social reward was distinguished from self motivation based upon calculative self interest.

Tannenbaum et al. (1974) studied how strongly the sanction of criticism by bosses and peers is felt. If felt strongly, criticism can be a potent form of motivation. They found that criticism was felt strongest in US, followed by Yugoslav plants then Israeli Kibbutzim, then Austrian and least in Italian plants. As US culture is generally found to be more Individualist than Austrian, Italian and Yugoslav cultures (Hofstede, 1991; Trompenaars and Hampden-Turner, 1997), this is inconsistent with the theoretical link which suggests that concern for criticism by bosses and peers would be stronger in Collectivist cultures.

Kreder and Zeller (1988) found that motivation in West German companies tends to be 'socio-emotional' relying on co-operative management styles, similar to Ouchi's (1979) Clan control mechanism. Many management interventions in German companies are for motivation, morale-building and improving the work atmosphere. In contrast, they found that motivation in US companies tends to be task orientated, based upon goal attainment and centralised monitoring, with less basis in participation. It could be argued that this is consistent with theoretical links between motivation and Individualism, because 'socio-emotional' motivation may be essentially Collectivist, and US culture is generally found to be more Individualist than that of former West Germany (Hofstede, 1991; Trompenaars and Hampden-Turner, 1997).

There is therefore some mixed support for a relationship between the cultural dimension of Individualism – Collectivism and motivation. However, theorists suggest that relationships between motivation and cultural dimensions may be much richer than what empirical studies have found. For example, Trompenaars (1993;

Trompenaars and Hampden-Turner, 1997) suggests that performance related pay, besides being less effective in Collectivist cultures, may also be less effective in Diffuse rather than Specific cultures where a 'quick buck mentality' undermines relationships. Furthermore, while in Ascribed status cultures inordinate pay for junior staff usually upsets status structures, in External Locus of Control cultures success tends to be seen as arising as much from customers and a favourable business environment as from performance by an individual.

Hofstede (1984, 1991) notes that motivation theories of Frederick Herzberg, of Abraham Maslow and of David McLelland are shaped by the culture of USA where they were developed. Therefore, in other cultures the relative importance of different types of motivators, such as pay for performance, job security or social recognition, may not necessarily follow those in USA. Hofstede (1991) links achievement as a motivator to what he describes as cultures of high 'Masculinity', and consensus and compassion to 'Feminine' cultures. He also links duty as a motivator to high Uncertainty Avoidance.

Trompenaars (1993; Trompenaars and Hamden-Turner, 1997) takes Parsons and Shils' (1951) matrix of people's aspirations for love, esteem, gratification or approval and maps them against cultures by asking managers from different countries which of these qualities they have and would like to have. These aspirations suggest that different types of rewards and sanctions may be effective in different cultures. Indeed Trompenaars' position receives some support from the findings of Kreder and Zeller, 1988, for they find that US culture tends to be responsive to Specific issues such as task, whereas German culture tends to look for more Diffuse respect and esteem among others.

Power may also be a motivator. Both Hofstede (1991) and Inzerilli and Laurent (1983) observe the importance of power to French people. Hofstede attributes this to his 'pyramid of people' organisational model that he maintains is typical in countries with cultures having both large Power Distance and large Uncertainty Avoidance.

Besides the issue of how motivation can be created, there is the more fundamental question of how important motivation is to management control. Horovitz (1980) studied this when inquiring into how important it is for bosses to evaluate

subordinate's performance for giving rewards and promotion. He found that it was seen as more important by British managers, than by German and French managers.

Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) begins to address the issue of how managers from different cultures may perceive the role of motivation within management. He describes how a manager from an Inner Locus of Control culture tends to use motivation in order to persuade others to behave in ways that the manager has already formulated, as the means by which he or she moves people like pieces on a chess board. In contrast, in an Outer Locus of Control culture, managers are more likely to try to harness motivation so that efforts of all organisation members are combined to move the organisation towards shared aims.

If poor alignment between the goals of individuals and of organisations is a major reason for the necessity for management control, different cultural propensities for goal alignment would be an important source of differences in management control between countries. According to Triandis (1995, page 44):

"Personal and communal goals are closely aligned in Collectivism and not at all aligned in individualism."

Birnberg and Snodgrass (1988) made a start in looking at this by studying homogeneity of values in organisations and systems of performance monitoring, evaluation and reward. However, they did not study the importance of motivation.

In summary, the empirical research to date into cross-national differences in motivation provides some limited support for theoretical conjectures, but leaves unexplored many avenues of inquiry that are indicated by theory.

Information:

Information and communication is central to many, if not most, views on management control. For example, they appear in professional pronouncements on internal control (COSO, 1994; CICA, 1994; Rutteman; 1994; Turnbull, 1999). Information flows are integral to cybernetic views of management control (Otley and Berry, 1980; Flamholtz, 1983; Fisher, 1995).

Horovitz (1980) found that West German top management use frequent detailed quantitative reports on past sales and production performance. They want to be informed in detail of what is going on:

"We prefer to have all the facts, they speak for themselves. Otherwise you could get one million reasons why performance was not up to the plan" (ibid. page 98).

In contrast, Horovitz (ibid.) found that British managers are more likely to rely on exception reporting, forward projections, and on financial and qualitative information. Information used by French top management tends to fall between the German and British pattern. Ahrens (1996) makes similar findings to Horovitz in noting that British managers, compared to German managers, pay greater attention to financial than non-financial operational information.

Birnberg and Snodgrass (1988) used cultural tightness theory (Triandis, 1995). They hypothesised that in Japan compared to USA more emphasis is given to communicating and less to enforcing management wishes. They found some limited evidence to support this.

Chow et al. (1999a) studied communication in face to face meetings. They found that Australian managers in Australian companies tend to be much more open and sharing of information than are Taiwanese managers in Taiwanese companies, although managers of both nationalities see sharing of information as important to their organisations. They attribute these findings to differences in corporate cultures, and to national cultural attributes of face, Individualism, and Power Distance.

However, these four studies leave unexplored much theoretical conjecture about information and management control in different national cultures. For example, cybernetic models may themselves be culturally dependent upon the 'unidirectional causal paradigm' typical in Western cultures (Redding and Martyn-Johns, 1979).

Hall (1977) contrasts Low and High Context information. The former being specific, detailed and explicit, while the latter is contextual and implicit. This relates to what sort of information people of different national cultures prefer, and need, to communicate. Boisot and Child (1988, 1996) use this theory to help explain low codification of information in transactions in mainland China⁷. Trompenaars' (1993; Trompenaars and Hampden-Turner, 1997) comparison between Specific and Diffuse

⁷ '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.

cultures has similarities to differences between Low and High Context Communication. In Specific cultures people tend to start communicating and understanding specific facts before considering their wider implications, whereas in Diffuse cultures they tend to start with the context before considering specific details.

The importance of truth is culturally bound (Hofstede and Bond, 1988; Adler et al., 1989), as also is what constitutes truth (Schneider, 1988). Deductive reasoning and categorical understanding can be traced back to early Greek philosophers such as Parmenides and Aristotle (Honderich, 1995). In contrast, these have not had the same longstanding 'taken for granted' acceptance in many oriental cultures. For example, in Particularist or polyocular (Maruyama, 1974), as opposed to Universalist, cultures there is a greater propensity to accept multiple perspectives rather than a concern that there should be universal truths (Redding and Martyn-Johns, 1979; Trompenaars and Hampden-Turner, 1997).

Different cultural attitudes to time (Hall, 1970; Hofstede and Bond, 1988; Trompenaars and Hampden-Turner, 1997) may relate to the relative importance of feedback or feed forward information, which are seen as important by management control theorists (Hofstede, 1978; Lowe and Puxty, 1989; Emmanuel et al., 1990; CICA, 1994). Horovitz' (1980) and Ahrens' (1996, 1997) findings suggest a German focus on feedback information, while British management tend to show more interest than their German counterparts in feed forward and planning information.

Gray (1988) studied the effect of culture on financial reporting and regulation. However, there has been little empirical study into management accounting and control to parallel studies into how Gray's theory is borne out in financial accounting (Chow et al., 1995; Salter and Niswander, 1996). It remains to be seen how culture affects transparency, conservatism or optimism and flexibility in management information. There appears not to have been any empirical study into the effect of culture on use of information within organisations as an "uncertainty-reducing ritual" (Hofstede, 1991, page 155).

Responsibility and accountability:

Harrison et al. (1994) found greater use of responsibility centres in the USA and Australia than in Singapore and Hong Kong. They attributed this to an emphasis, in

the Individualistic culture of Australia, on identity of individual units rather than of the total organisation, and on accountability of managers responsible for those units. On the other hand Vance et al. (1992) found, contrary to their expectations, that managers in Thailand (a Collectivist culture according to Hofstede, 1991) favour appraisal of individual performance to a greater extent than do US or Malaysian managers. Chow et al. (1991) found in their experiment no effect of Individualist culture on the relationship between interdependence of responsibility centres and performance. Empirical research therefore appears not to have found a consistent link between individual responsibility and Individualism.

Ahrens (1996) found differences between German and British managers in what constitutes accountability, in the sense of demanding and giving of reasons for conduct. He found German accountability to be technical, largely operational and confined within functional disciplines. In contrast, accountability for British managers cuts across functions, is often dominated by financial rhetoric and is related to public rhetoric such as shareholder value. It might be imagined that, if there are these differences between two North European countries, differences between other countries in the World may be at least as great.

Theory goes further than these findings, and suggests that national cultures may differ in who is responsible. According to Redding and Martyn-Johns (1979) most Chinese businesses in Hong Kong operate with very little clear allocation of responsibilities. Holding an individual, rather than a collective group of people, responsible has been linked to Individualism (Triandis, 1995; Trompenaars and Hampden-Turner, 1997). Hofstede (1991) links his Masculinity dimension to treating as a hero or villain someone who is accountable for success or failure.

There may also be cultural differences in what people are responsible for. Where it is thought important that people are only held responsible for what they can control, cultural dimensions of Locus of Control (Trompenaars and Hampden-Turner, 1997) and Individualism (Ueno and Sekaran, 1992; Ueno and Wu, 1993) may relate to perceived scope of control and responsibility. Also, cultural attitudes to time (Hall, 1977; Trompenaars and Hampden-Turner, 1997) may affect the time period of events for which responsibility is owed.

Finally there may be differences between national cultures in to whom responsibility is owed. This relates to loyalty. Within Collectivist cultures, loyalty may be owed to fellow members of an in-group (Triandis, 1995), with relatively little loyalty owed to those outside the in-group. Commitment and loyalty in Collectivist cultures may have a moral element (Hofstede, 1984; Boyacigiller and Adler, 1991; Harrison et al. 1994). In Individualist cultures loyalty may have a greater element of calculative self interest. Loyalty has also been linked to the cultural dimension of Diffuseness (Trompenaars and Hampden-Turner, 1997).

Therefore while the empirical research to date is not consistent, it does suggest that the role of responsibility in management control may differ between national cultures. Also Ahrens (1996) shows that the meaning of accountability may differ between countries. Yet much greater depth of differences is indicated by cultural theory than has yet been the subject of empirical research.

2.3.3 Types of control

Table 2.1 shows that more than half of the empirical studies have inquired into the types of management control that are found or preferred in different countries. Most of these types of control describe the sort of control that is produced by control methods. In some cases they describe types of control components.

Some of the types of control that have been the subject of several studies are considered here in order to see what consistency there is between these studies, and to see what generic comparisons can be made of management control in different countries.

Models of organisation:

Ouchi (1979) appears to have started a line of thinking pursued by several theorists and empirical researchers. He describes three control mechanisms, namely Market, Bureaucratic and Clan, for gaining co-operations within different sorts of contexts that vary in terms of goal congruity, social requirements and types of information that are available. Hofstede (1991) takes Ouchi's theory, adds a fourth control mechanism of Hierarchy, which he takes from Oliver Williamson (1973, 1975), and maps them onto his cultural dimensions of Uncertainty Avoidance and Power Distance. With each of these he identifies a model of organisation, namely 'village

market', 'family', 'well-oiled machine' and 'pyramid of people'. This gives a matrix, which is included in Figure 2.1.

Hofstede has not published empirical research to support his links between national culture and how organisations are structured (Tayeb, 1988). Unfortunately, findings of other researchers are not always consistent with Hofstede's expectations, as shown in Figure 2.1.

UNCERTAINTY AVOIDANCE	LOW	VILLAGE MARKET - HOFSTED MARKET CONTROL MECHANISM - OUCHI (INCUBATOR - TROMPENAARS) USA - Hofstede, Kreder & Zeller USA Silicon Valley - Trompenaars UK - Hofstede UK Silicon Glen - Trompenaars Sweden & Denmark - Hofstede, Trompenaars	FAMILY - HOFSTED, TROMPENAARS CLAN CONTROL MECHANISM - OUCHI France - Inzerilli & Laurent, France small companies - Trompenaars Japan - Ouchi & Jaeger, Birnberg & Snodgrass, Schneider Germany - Kreder & Zeller Europe - Schneider
	HIGH	WELL-OILED MACHINE - HOFSTED BUREAUCRATIC CONTROL - OUCHI GUIDED MISSILE - TROMPENAARS Germany - Hofstede Japan - Hofstede, Schneider USA - Inzerilli & Laurent, Birnberg & Snodgrass, Schneider USA & UK large companies - Trompenaars	PYRAMID OF PEOPLE - HOFSTED HIERARCHY - O. WILLIAMSON EIFFEL TOWER - TROMPENAARS France - Hofstede, France large companies - Trompenaars Germany - Trompenaars
		LOW	HIGH
		POWER DISTANCE	

Figure 2.1: Models of Organisation and countries where they are preferred

Ouchi (1981; also Ouchi and Jaeger, 1978) identifies Japanese companies in Japan with his ideal form of Type J organisation, that has strong similarities with organisations relying predominantly on Clan type social control. He describes (what was then) the usual US company in terms of his ideal Type A organisation with explicit formal control and bureaucracy. He also describes a Type Z organisation as an emergent model for Japanese companies and some US companies in USA. Type Z combines features of Type A and Type J. His analysis therefore differs from Hofstede who, measuring Japanese staff in Japan, places them in his 'well oiled

machine' or Bureaucratic control quadrant, and who places US staff in the 'village market' quadrant.

Inzerilli and Laurent (1983) surveyed French and US managers' conception of organisational structure. From this data they derive alternative 'instrumental' and 'social' conceptions of structure, to describe respectively typical US and French conceptions. Both Ouchi's and Inzerilli and Laurent's theoretical constructs are derived from Weber's (1947) bureaucratic and 'traditional' forms of organisation. Inzerilli and Laurent's US instrumental conception of structure is based on rationality, functional authority and impersonal relationships; it has similarities to Ouchi's rule and process based Bureaucratic control mechanism. Inzerilli and Laurent's French social conception includes status and loyalty, and has some similarity to Ouchi's Clan control mechanism based on high internal commitment and shared values. The constructs are not identical: one describes conceptions of organisation structure, the other control mechanisms; they treat hierarchy differently. But Inzerilli and Laurent's empirical evidence appears to throw some light on Ouchi's theory. However, this light is not consistent with Hofstede (1991) who expects to find US organisations in the 'market' quadrant, and French organisations in the 'hierarchy' quadrant not the 'family' or 'clan' control quadrant.

Birnberg and Snodgrass (1988) explicitly build on Ouchi's theory (1979). They liken Japanese managers' high respect for co-operation and homogenous culture to attributes of members of an organisation subject to Clan control. They expect Japanese co-operation to be such that

"the problem is shifted from controlling activities to communicating the data to the proper persons so that they can make the best decisions" (page 452).

Whereas

"in the U.S. the accounting information (and control) system is directed toward achieving behavioral congruence through bureaucratic rules and incentive systems" (page 460).

Their empirical findings are consistent with these descriptions of management control in Japanese and US organisations. So they support Inzerilli and Laurent (1983), but not Hofstede (1991), in finding US managers conforming to a Bureaucratic model of control. While, their findings support Hofstede's expectation

of finding many oriental organisations in the 'family', or Clan control, quadrant, Hofstede put Japan in the 'bureaucratic' control quadrant.

Kreder and Zeller (1988), also using empirical research, describe a 'systems' model of control for large US companies and a 'behavioral' model of control for large German companies, which they say are similar to Ouchi's Market and Clan control mechanisms respectively. While supporting Hofstede's expectation that US organisations favour Market control, their findings disagree with Hofstede in respect of the German model, who places it in the 'well-oiled machine' quadrant with Bureaucratic control.

Schneider (1988) describes ways that multi-national companies, based in different countries, control their overseas corporations. European based corporations tend to use rotation through overseas subsidiaries of an international expatriate cadre of managers as an informal and personal means of control by socialisation; this seems to be a form of Clan control. US corporations tend to rely more on local managers using more formal and impersonal quantitative control; this appears to be Bureaucratic control.

"Japanese corporations tend to rely heavily on frequent visits of home and host country managers between headquarters and subsidiaries, using both socialization and formalization" (ibid., page 240).

This latter mechanism appears to be a combination of Clan ('socialization') and Bureaucratic ('formalization') types of control.

Trompenaars and Hampden-Turner (1997) have collected data on managers' perception of organisational cultures and related these to nationalities. They have 13,000 responses of managers from 42 countries. They describe four ideal types of corporate culture, identified by mapping them against a dimension of Person – Task orientation and a Hierarchical – Egalitarian dimension. The latter dimension has some similarity to Hofstede's (1991) Power Distance dimension; for example both relate to preferences for steep or flat organisational structures. Their person – task orientation dimension was earlier described as formal – informal (Trompenaars, 1993), indicating that it may have some affinity to Hofstede's Uncertainty Avoidance dimension (Hofstede, 1991). Descriptions of three of their ideal types of corporate culture, namely Family, Guided missile and Eiffel Tower appear to correspond to

Hofstede's 'family', 'well-oiled machine' and 'pyramid of people' models respectively. Only in their Incubator corporate culture do they appear to be describing something radically different from Hofstede's 'village market' model. It is therefore interesting to see how well Trompenaars and Hampden-Turner's findings correspond to Hofstede's theoretical expectations, and for this reason their corporate cultures have been included in Figure 2.1.

This shows some interesting comparisons. Trompenaars and Hamden-Turner (1997) distinguish small from large companies. They find US Silicon Valley and UK Silicon Glen start ups in their Incubator quadrant. This may correspond to Hofstede's (1991) Village market quadrant, which is where he puts USA and the UK. However, they differ from Hofstede in finding large US and UK companies in their Guided Missile ('well-oiled machine') quadrant. In this they support findings by Inzerilli and Laurent (1983), Birnberg and Snodgrass (1988) and the description by Schneider (1988) of US companies. They agree with Hofstede as far as large French companies falling in the Eiffel Tower ('pyramid of people') quadrant, but differ from him in finding small French companies falling in the Family quadrant, which supports Inzerilli and Laurent. Therefore their empirical analysis by large and small companies appears to resolve differences between Hofstede's theoretical expectations and others' empirical research. Also they support Hofstede in finding Swedish and Danish companies in the Incubator ('village market') quadrant, but they differ from him and from Kreder and Zeller's findings in putting Germany in the Eiffel Tower ('pyramid of people') quadrant.

This analysis may be reading more into the various labels, control mechanisms, models and corporate cultures than these authors intended. However, if nothing else, it shows, firstly, that considerable care must be taken in applying Ouchi's (1979) and Hofstede's (1991) theories, and secondly that Hofstede's models are not yet well supported by empirical research.

Administrative, social or self control:

Hopwood (1974) analysed management control into administrative, social and self control. While the first two of these may appear to have some similarity to Ouchi's (1979) Bureaucratic and Clan control mechanisms, Hopwood's analysis refers to the people by whom control is exercised, whereas Ouchi's analysis is of the mechanism

by which control is achieved. As stated above, Schneider (1988) describes European multi-national companies (MNCs) as more likely to rely on social control through an international cadre of managers, than are US MNCs, who rely more on impersonal control of local managers. She claims that Japanese MNC practice is a combination of socialisation and formal (i.e. administrative) control.

Empirical research in management control and national culture has found some evidence to support the view that different combinations of administrative, social and self control are likely among different cultures. Horovitz (1980) found that British firms, in contrast to French and West German firms, “seem to be more lenient and participative in their leadership style ... leaning towards autonomy and self-control, feeling it better to stand as a trustee than as a sentinel” (page 93). This would suggest that British people prefer to rely on control by colleagues, that is social control, and on self control more than on administrative control by those in formal authority. Secondly, Kelley et al. (1987) found significantly more positive attitudes to self-motivation among managers in Japan than in USA. Chow et al. (1999b) findings (1999) indicate that Japanese MNCs in Taiwan may rely to a greater extent on social control than do either US MNCs or locally owned businesses in Taiwan. O’Connor (1995) found foreign firms in Singapore, from countries with lower Power Distance than Singapore, using socialisation practices in order to develop low Power Distance organisational cultures. Linking Power Distance to social control would however be inconsistent with findings of Chow et al.’s findings (1999b), as the USA was found by Hofstede (1991) to have lower Power Distance than Japan.

From these studies, the only corroborated trend appears to be that Japanese organisations are more likely to use social control than are US organisations.

Participative or directive control:

Participative control has some similarities to Hopwood’s (1974) social control. It is also mentioned by Kreder and Zeller (1988) in linking their Behavioral model of control to Ouchi’s (1979) Clan control mechanism.

Frucot and Shearon (1991) found that culture may lead to different effects of participative budgeting on managerial performance for Mexican managers compared to US managers.

Otley et al. (1994) found that differences between Anglo-Saxon cultures and oriental cultures, represented mainly by students from Hong Kong and Singapore, affect the relationship between budget participation and performance. O'Connor (1995) found in Singapore that foreign firms, from countries with lower Power Distance than Singapore, used selection and socialisation practices to foster organisational cultures more amenable than cultures of local firms to participative budgeting and evaluation. In contrast, Harrison (1992) found that the effects of budget participation, on the relation between budget emphasis and job related attitudes of tension and satisfaction, are the same among Singaporean and Australian retail managers. He attributes this to counteracting cultural effects of Individualism and Power Distance in the two national cultures. Although Lau et al. (1995) appeared to confirm Harrison's results in their 1995 study of Singaporean manufacturing managers, their 1997 study that included Australian managers appears to contradict his findings.

Tannenbaum et al. (1974) found different levels of both formal participation, through explicit rules on contribution to decision making, and informal participation through receptivity of bosses to ideas and suggestions from subordinates. Israeli kibbutzim were most participative, both formally and informally, US plants were participative informally, and the Italian plants were least participative.

Kelley et al. (1987) found that Japanese managers are more likely than US managers to view participative control favourably. This has some support from Chow et al. (1999b), who found that Japanese owned MNCs in Taiwan had significantly more participative budgeting than did US or locally owned companies in Taiwan. However, contrary to expectation they found no difference for participative performance evaluation. But Chow et al. (1996) found that, compared to their US counterparts, Japanese managers are subject to tighter control through directives given by superiors at meetings. Kreder and Zeller (1988) found that German companies show a tendency towards participative control (such as bottom-up co-operative planning, teams, groups and committees) in comparison to US companies, which are more likely to use top down directive control.

In summary, ten studies found an effect of national culture on participation, and one found no such effect. However, a clear trend does not appear from these studies as to which countries tend to be more participative or directive, either in terms of which national cultures or which cultural dimensions are associated with participation.

Centralisation of control:

Kelley et al. (1987) found greater centralisation of decision making in Japan than in USA. Harrison et al. (1994) link hierarchical centralisation of decision making to high Power Distance and with low Individualism, and use this to explain their finding of greater centralisation of responsibility centres in Singapore and Hong Kong than in USA and Australia. One might imagine therefore that centralisation might be greater in Japanese and Chinese cultures than in Anglo-Saxon cultures. However, Chow et al. (1994) found no difference in Japanese and US preferences for hierarchy height, while Chow et al. (1999b) found no significant difference in the preference and use of vertical delegation of decision making in US, Japanese and locally owned companies in Taiwan.

Hofstede (1991) expects centralisation of authority to go with high Power Distance; that is, he expects decisions to be concentrated in the more senior levels of an organisation's hierarchy. This hypothesis is compared to empirical research in Table 2.5. For this table, a crude index has been constructed by averaging Hofstede's Power Distance and Individualism scores (subtracting the Individualism score from 100 in order to reverse its direction). It ranks findings by decreasing centralisation of control from top to bottom in a column for each empirical study.

Ranked per average Hofstede's Power distance and Individualism		Kelly, Whatley & Worthley	Chow, Kato and Shields	Chow, Shields and Wu	Harrison, McKinnon, Panchapakesan and Leung	Kreder & Zeller	Tannenbaum, Kavcic, Rosner Vianello and Wieser	Child & Kieser	Horovitz	Trompenaars' organisational cultures
						Most centralised				
Singapore	77									
Yugoslavia	75				Singapore & Hong Kong					
Hong Kong	72									
Taiwan	71									
Japan	54	Japan								France
France	49									Germany
Italy	37			USA, Japan & Taiwan			USA, Italy & Austria		W. Germany & France	Israel & Australia
W Germany	34		USA & Japan			USA		W. Germany		
Israel	30						Israel & Yugoslavia			Italy
Austria	28									
USA	25	USA				W. Germany				UK
Australia	23				USA & Australia					
UK	23							UK	UK	USA
						Most decentralised				

Table 2.5: Rankings of hierarchical centralisation of control

Within Europe, British managers were found to prefer less hierarchical centralisation than did West German managers (Child and Kieser, 1979) or French managers (Horovitz, 1980).

Comparisons have been made between Europe and USA. Tannenbaum et al. (1974) found that actual and preferred hierarchies to be less steep in terms of influence in Yugoslav plants and Israeli kibbutzim than in US, Italian and Austrian plants. Also, Kreder and Zeller (1988) found large US corporations to be more centralised in structure, monitoring and control than were large West German companies. Trompenaars and Hampden-Turner (1997) found Germany and France to be most hierarchical, on their Egalitarian – Hierarchical dimension for organisational cultures, followed by Israel and Australia, and then by Italy and by the UK, with the USA as most egalitarian. While supporting the greater German and French than British preference for centralised hierarchy found by Child and Kieser (1979) and by Horovitz (1980), Trompenaars and Hampden-Turner findings do not support the greater US than European centralisation found by Tannenbaum et al. and by Kreder and Zeller.

Table 2.5 shows consistency of less hierarchical centralisation for the UK than France and Germany. Other patterns that appear to emerge from some studies are refuted by others. The crude index constructed from Hofstede's (1991) Individualism and Power Distance indices appears to have potential to explain four of the empirical studies (Child and Kieser, 1979; Horovitz, 1980; Kelley et al. 1987; Harrison et al., 1994), but not for the other 5 studies. Therefore it appears that differences in hierarchical centralisation between countries may be too broad a variable for consistent comparison between studies. Also, the link between cultural dimensions of Individualism and Power Distance with centralisation cannot at this stage be supported by empirical research.

A question apparently not asked by researchers of cross-cultural management is the extent that control is centralised or decentralised locationally, rather than hierarchically. Empirical research into this question might throw light on whether managers of different cultures differ in how inclined they are to delegate to managers of other cultures and on relationships between head offices and overseas subsidiaries. These issues might depend upon Trompenaars' (1993) cultural dimension of Universalism.

Formality of control:

Hofstede (1991) expects high Uncertainty Avoidance to be associated with greater formality of control, in the sense of detailed job descriptions, precise instructions and internal rules. The extent that management control is formal or explicit has received considerable attention by empirical researchers. Findings are compared in Table 2.6.

Chow et al. (1996), following Hofstede, hypothesised and found tighter procedural controls in Japan than found by previous studies for USA. This is consistent with Hofstede's (1984) measurement of Uncertainty Avoidance for Japanese and US cultures.

However, this link between formality of control and Uncertainty Avoidance is not supported by other empirical studies. Harrison et al. (1994) found planning and control to be more formal, rule orientated, rigid and tightly administered in Singapore and Hong Kong than in USA and Australia, although the difference was not significant. They expected and attributed this result, with which they included top down management, to the higher Power Distance in Singapore and Hong Kong than in USA and Australia, as measured by Hofstede (1984) and confirmed in their study. However, unlike Hofstede (1991), they did not expect this formality of control to be linked to Uncertainty Avoidance. Indeed this result is contrary to Hofstede's expectation, as he measured Singapore and Hong Kong to have lower Uncertainty Avoidance than USA and Australia, and he expects that high Power Distance to replace, to some extent, the need for internal rules.

Chow et al. (1999b) hypothesised Japanese companies in Taiwan to have less formality of control than locally owned companies in Taiwan, but more formality of control than US firms in Taiwan. They based this on Hofstede's cultural dimensions of Individualism, Power Distance and Uncertainty Avoidance. They found that the Japanese owned companies had less formality of control than both locally owned and US owned companies in Taiwan. This pattern is inconsistent with Hofstede's (1991) measures of Japanese compared to USA and Taiwanese culture on all three dimensions of Individualism, Power Distance and Uncertainty Avoidance.

	Harrison, McKinnon, Panchapakessan & Leung	Chow, Shields & Wu	Bimberg & Snodgrass	Snodgrass & Grant	Chow, Kato & Merchant	Child & Kieser	Coates, Davis, Longden, Stacey & Emmanuel	Vance, McClaine, Boje & Stage	Redding & Martyn-Johns	Schneider
Formality of:	'Planning & control'	Procedures & manual	Explicit job descriptions, evaluation criteria, organisation charts	Strategic planning and control	Procedures	Job descriptions & organisation charts	Incentives and performance measures	Performance evaluation: standards & written communication	Planning, information, & responsibilities	Quantitative methods & formal control
Formal	Singapore & Hong Kong	USA & Taiwan	USA	USA	Japan	UK	USA	Thailand	Western cultures	USA
				Japan			UK	USA		Japan
Informal	Australia and USA	Japan	Japan		USA	Germany	Germany	Indonesia	Hong Kong	Europe

Table 2.6: Rankings of formality of control

Table 2.6: Rankings of formality of control

It might be imagined from 2 of these 3 studies that oriental managers have a greater preference for formal controls than do US managers. Yet findings with respect to Hong Kong by Harrison et al. (1994) are contrary to research reported by Redding and Martyn-Johns (1979, page 114). The latter report that in Hong Kong “most Chinese businesses operate without any organized planning system, with very little formalized information and with very little clear allocation of responsibilities.” Further evidence against such a pattern of more formality of control in oriental than in US cultures is given by Birnberg and Snodgrass (1988). They found explicit control to be greater in US than in Japanese companies. They attribute this to Japanese workers and managers, more than their US counterparts, starting their employment with a clearer understanding of the company’s goals and ethos of co-operation. This in turn follows from cultural factors of greater Japanese than US concern for the group over oneself, for harmony and for reciprocity between people. Although Birnberg and Snodgrass do not call on Hofstede’s cultural dimensions, they use the cultural factor of group orientation as explanation. Reciprocity of group orientation indicates either, or both of, Hofstede’s finding of relative Japanese Collectivism and Trompenaars’ (1993) findings of relative Japanese Diffuse relations compared to US Specific relations. However in contrast, Chow et al. (1999) took high Individualism to be a factor for low rather than high formality. Furthermore, if Individualism determines formality of control, findings by Chow et al. (1996) and by Harrison et al. (1994) would suggest that high Individualism leads to low formality control for US managers, rather than to high formality found by Birnberg and Snodgrass.

Snodgrass and Grant (1986) show that it may be misleading to try to force classification of US and Japanese organisations into a simple classification of what is formal or informal. They found in the USA that organisations tend to use explicit formal control mechanisms, but that in Japan organisations tend to display both formal and informal characteristics. Although in Japan informal implicit controls tend to be used, they are rigorously enforced, which leads to explicit understanding and control.

Lack of a clear pattern between US and oriental managers on formality of control was also found by Vance et al. (1992). They included comparison of formality or explicitness of performance appraisal in the questions of whether measurable

standards are used, rather than norms or values and whether communication is written rather than face to face. They found US views falling somewhere between the more formal management style of Thai managers, and less formal style of Indonesian managers.

Turning to Europe, Child and Kieser (1979) found more formal definition of British than West German departmental managers' roles in job descriptions and organisation charts. German compared to British, managers' roles, though more routine and having less discretion, were more implicit as a function of personal relationships.

Coates et al. (1993) found US based MNCs tending to have formal systems, German based MNCs to have informal, and UK based MNCs to have either formal or informal systems for incentives and performance evaluation.

Schneider (1988) compares Japanese, US and European MNCs, but without quoting any empirical research. She claims that US MNCs tend to control foreign subsidiaries with formal quantitative control methods. Japanese MNCs rely more on frequent two way visits between local and headquarter staff using both informal socialisation and formal control. While European MNCs rely more on informal personal control exercised by a cadre of international managers.

There is therefore, inconsistency in argument about, and evidence to support, which cultural factors are associated with formality of control. There is also considerable inconsistency in which cultures tend to display the most formality of control, as illustrated in Table 2.6. The only consistency of findings appears to be that US organisations or culture tend to favour formal control, those of continental Europe tend to favour informal control, while that of the UK may fall in between the two.

This comparison of findings suggests that there may be considerably more complexity than implied here, and perhaps by many of these authors, in the aspects of culture identified by countries or cultural dimensions, extraneous variables, and perhaps what aspects of management control are identified as formal.

2.3.4 Conclusion on empirical studies

This review of empirical research into association between national culture and management control gives a picture of fragmented and largely inconsistent findings that provide little support for cultural theory. Most of the claims for links between

theory and empirical findings are inconsistent between studies. There is however a broad consensus that there are patterns of differences between countries in what management control is used and preferred by managers (see also Hopwood, 1999), and that there are associations between these patterns and national cultures.

A number of reasons may be put forward for contradictory research findings. Authors may be using terms to describe management control in different senses; 'bureaucratic' control in particular seems to have been used with a wide scope of meaning. Also cultural relationships with control types, such as formality, may be in one direction for one means of achieving control but in the opposite direction for another control method. Consequently, use of common labels for types of control may have been unwittingly applied to different phenomena for which relationships with national culture are different.

Similarly, labels used to describe attributes of cultures may not be entirely consistent. Hofstede's (1991) and Trompenaars' (1993; Trompenaars and Hampden-Turner, 1997) measurements of national culture are not always consistent. Indeed Trompenaars has not published indices, perhaps because answers he reports a wide variety of rankings for his questions produce. For example, Finland is shown to be the fourth most Individualistic out of thirty nine countries according to his question 'Whose fault was it?', but ranks twenty fifth most Individualistic out of thirty eight countries on the question 'Two ways to work'. This may suggest that a score reached for a cultural dimension is very much dependent upon what questions are asked for collecting the data to calculate the score. Unfortunately Hofstede has not published scores for specific questions in his instrument for measuring national culture. Perhaps measurement of culture is less exact than the widespread acceptance and use of Hofstede's cultural indices would suggest.

Even if cultural dimensions could be measured precisely, a cultural dimension at a particular score may indicate a different effect in various cultures, depending on how core or peripheral the dimension is to those cultures (Lachman et al., 1994; Harrison and McKinnon, 1999).

Cultural values probably evolve and change over time (Harrison et al., 1994; Triandis, 1995; Altman, 1996; Lau et al., 1997; Bhimani, 1999). Also evolution of control methods, such as activity based costing or total quality management, may

alter managers' views as to what is possible and what is acceptable. These changes in views may affect institutionalised views of what alternative types of management control are acceptable or are best practice (Firth, 1996; Whitley, 1999). Recognition of this possibility opens the door for research, so far largely absent, into the effect of management control on cultural factors. As deplored by Bhimani (1999, page 419),

"the absence of any analysis of interactive effects between presumed cultural forces and control structures seems to be justified only on the grounds that this would be methodologically difficult to undertake."

It is possible that some of these studies have been confounded by measurement difficulties. For example, variety measured and interpreted as differences between national cultures may have been differences between corporate or functional⁸ cultures. However, while it is difficult to control all variables that define groupings in which cultural beliefs, attitudes and values are shared, researchers have generally been alert to this problem of multiple cultural groupings. Some studies have compared subjects from different countries within a single organisation (Brewer, 1995; Cohen et al., 1995), or compared nationalities within each of several organisations (Lincoln et al., 1981; Kelley et al., 1987). Many of the studies took care to compare organisations from the same industry (Birnberg and Snodgrass, 1988; Frucot and Shearon, 1991; Harrison, 1992 and 1993; Chow et al., 1996; Cohen et al., 1995; Chow et al., 1999b). Some studies sought to avoid the problem by drawing subjects from a very large number of organisations across many industries (Daley et al., 1985; Vance et al., 1992; Ueno and Sekaran, 1992; Ueno and Wu, 1993; Harrison et al., 1994). Experiments using university students (Chow et al., 1994; Otley et al., 1994; Metz et al., 2000) avoided the problems of organisation and industry cultures, although it is possible that the ethos of their university could have had a cultural effect. Furthermore, a conclusion that differences, attributed to national culture, were in fact differences by some other cultural grouping is contrary to the views of authors of 32 out of these 34 studies. While it is recognised that extraneous variables could have had some effect on the reported findings for national culture in many of these studies, the possibility that they could have systematically confounded results for a majority of the studies seems most unlikely.

⁸ Function is used here to mean the job function, such as marketing or finance.

Even if findings *within* each study correctly attributed differences in management control to factors of national culture, it might be asked if inconsistency of results *between* studies represents different corporate or functional cultures of the subjects. That is to say, differences between the studies in organisation, function or some other shared attribute of the people studied, could have given rise to differences between the studies in how national culture related to management control. For example, perhaps British staff of MNCs may tend to react differently to a management control system than say British staff of a local company in the same industry. This is a more fundamental problem. It is part of the larger problem that national culture may be just one of many factors that together impact upon management control; these factors may include markets, economic conditions, regulations, politics and social conditions. This complexity of the management control environment poses methodological problems, which are discussed in the following sections.

Inconsistencies in measurement of variables may underlie some of these apparent inconsistencies of findings between studies. This is either a restatement of the problem of insufficiently precise terminology, or a problem of inadequate measurement, which may be the case with management control variables as well as with cultural variables. No doubt, many of the apparent inconsistencies could be explained by showing which studies can be compared on the basis of their methods, for example which extraneous variables were controlled for and how. But analysis of studies by research method raises more fundamental questions about their methodologies.

Most of the studies have employed nomothetic methodology that is ill equipped to capture a wide variety of extraneous variables. Cross-national research into management control is beset by an indeterminate variety of extraneous variables: besides numerous cultural factors, there are institutional forces, political and legal institutions, market and economic factors, all of which stand within a historical context (Child and Kieser, 1979; Horovitz, 1980; Bhimani, 1999; Harrison and McKinnon, 1999). International comparison of management control is a complex field (Chow et al., 1994; Chow et al., 1996).

The extent of inconsistency identified here between studies in how they apply and support cultural theory points to a systemic problem. It suggests that cultural theory is not yet sufficiently well defined to identify how it relates to particular situations.

Accordingly, empirical researchers may have insufficient guidance from theory for what will be found in the field. They have used wide latitude in interpreting theory to support different empirical findings. Cultural theory appears to provide a poor guide for cross-national research into management control. We appear to be in a loop, where much research, built on inadequate theory, fails to advance that theory.

This opens wider methodological issues that are explored next.

2.4 Methodological consistency

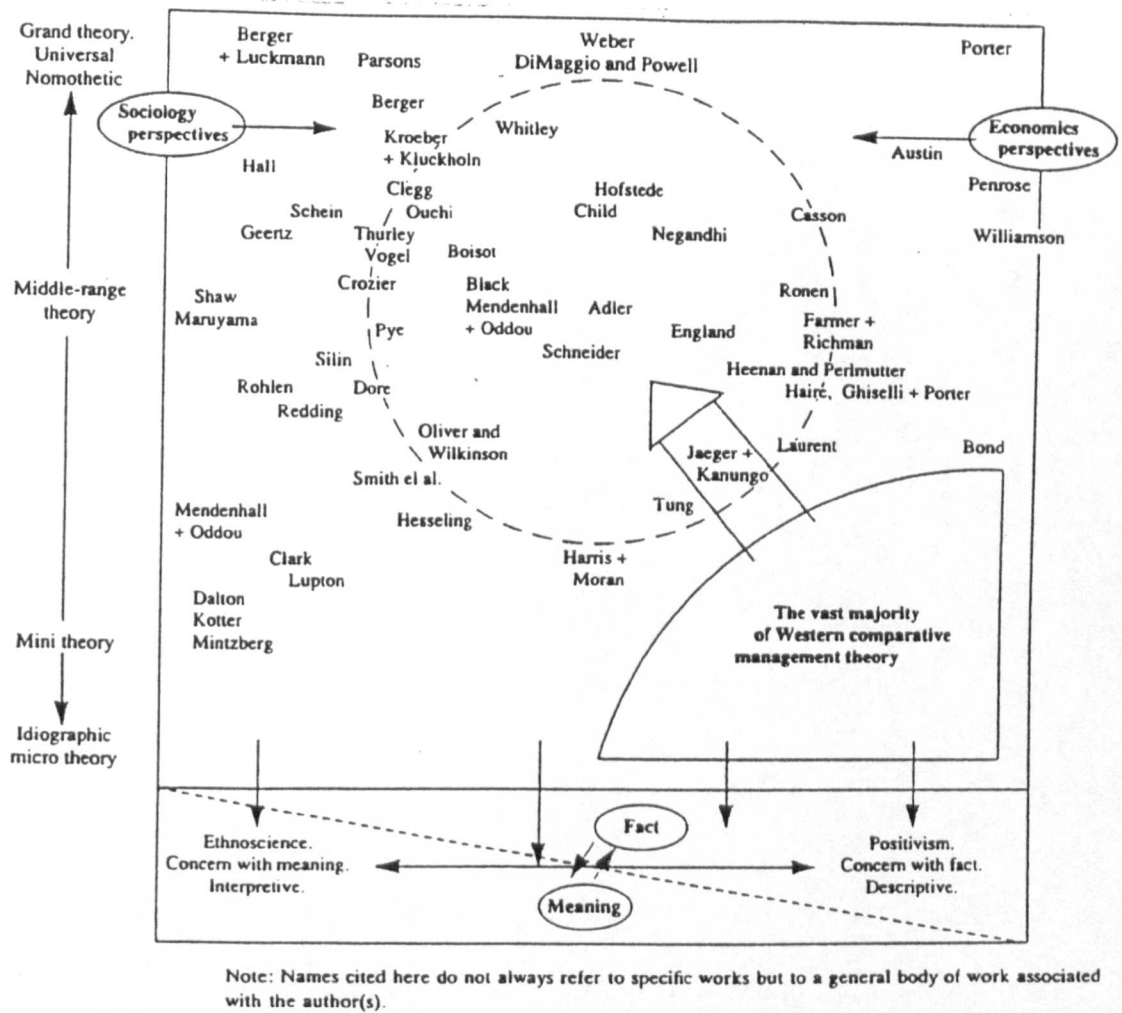
These concerns about methodologies used in this field of cross-cultural research into management control, are shared by Bhimani (1999) and by Harrison and McKinnon (1999). Their principal concern is whether methodologies used have been sufficient for the nature of the field of study. Their analysis is advanced here with a new framework of analysis, which is developed in the next section. This framework gives further insight to questions of whether the sort of knowledge sought by most studies to date is realistic, and whether continuation of the same sort of methodology and epistemology is likely to lead towards a coherent body of knowledge. However, before mapping the empirical research to date onto this framework, reviews by Redding (1994) of comparative management and by Laughlin (1995) of accounting are considered. These reviews provide a background, and were the inspiration, for the framework that will be used here.

2.4.1 Review of comparative management by Redding

Redding (1994) reviews the field of Western comparative management along a horizontal axis of a spectrum from interpretive ethnoscience research concerned with meaning, to descriptive positivism concerned with facts. He uses a vertical axis to portray an ideographic-nomothetic spectrum from micro analysis through middle range theorising to grand theory. These are shown in Figure 2.2. He finds (page 331) that

“the main body of work is clustered incompetently, unadventurously, but with comfortable conformity in the positivist micro-mini theory corner.”

That is in the bottom right hand corner of Figure 2.2.



accounts of it" (page 347), meanings and hence phenomena can change with these accounts, so predictive laws cannot remain valid.

- The central question of what concepts are emic rather than etic (Adler, 1983), raises questions about how far knowledge can be generalizable as universal across cultures.
- There has been lack of intellectual synthesis and interaction between theory in different areas of the field.

He recommends the following for researchers in comparative management:

- "1. Pursue the comparative method via the study of clusters of phenomena or types, the 'interior' of which can be subjected to more idiographic (sic) analysis of patterns of determinacy.*
- 2. Search for the kinds of abstract models which can encourage multi-disciplinary research by rising above the observation languages of the disciplines themselves. ...*
- 3. Use the new middle-range theories now emerging in fields such as inter-cultural relations to go into the field ethnographically and refine the models. Find means of encouraging such nomothetic-ideographic iterations.*
- 4. Enrich the current grand theory of Hofstede further by probing into the societal origins of his value clusters, and in terms of outcomes, trace more explicitly the patterns of their organizational consequences.*
- 5. Test further the existence of alternative value clusters, indigenously perceived.*
- 6. Call a halt to closed-system, empirically based positivist reportage.*
- 7. Encourage complex model building of the kind advocated by Child (1981) ... but without falling into the trap of multi-causalism, i.e. have a leading idea of determinacy.*
- 8. Avoid seeing culture as a single cause of anything and get accustomed to claiming its position as a necessary, but not sufficient, determinant of social outcomes.*

9. *Do much more ethnographic work on the crucial links between the mental world of culture and the behavioural world of organization, focusing on processes and meanings.*” (ibid. page 349 350).

2.4.2 Laughlin’s analysis of empirical research in accounting

Laughlin (1995) uses a similar, though different, scheme for analysis of empirical research in accounting. His horizontal axis portrays levels of prior theorisation, and his vertical axis portrays methodology. He adds a third dimension, which is concerned with the extent that research should lead to change in what is researched. For the purposes of this chapter, just his horizontal and vertical axes will suffice; these are depicted in Figure 2.3.

Drawing on Burrell and Morgan’s (1979) schema of assumption about the nature of social science, Laughlin (1995) puts into his horizontal axis ontological choices about what view to take of the nature of the world, and also epistemological choices about what constitutes knowledge. His vertical axis combines choice about the role and human nature of the researcher, and methodological choice about the level of theoretical formality in defining the nature of the discovery methods. This methodological choice is selection of a ‘set of spectacles’ that form the nature of the empirical research methods. Some argue that these two sets of choices or assumptions are related (Burrell and Morgan, 1979). Therefore, research is more likely to be viable if it falls on the diagonal between the bottom right corner of Figure 2.3, for low methodological and low theory choices, to the top left hand corner for high methodological and high theory choices (Morgan and Smircich, 1980).

Laughlin (1995, page 64) explains how “the battles between the ‘economics’ and behavioural’ wings have been present since the early 1980s” in empirical accounting research. These are largely represented by concentration of research in the top left hand and bottom right hand boxes of his schema. Instead, he argues on several grounds for the central box, which he names ‘middle-range thinking’.

Methodological choice: level of theoretical nature of methods	High	Positivism Realism Instrumentalism Conventionalism		
	Medium		German critical theory	Symbolic interactionism
	Low	Marxism	Structuration French critical theory	Pragmatism Symbolic interactionism Ethnomethodology
		High	Medium	Low
		Theory choice: levels of prior theorization		

Figure 2.3: Major schools of thought used in accounting research, from

Laughlin (1995, page 70)

His first argument is that there are no comprehensive approaches to understanding the empirical world, although assumptions of universalism in the high methodology high theory box may point researchers towards search for absolute truth. Middle-range thinking therefore argues for taking a mid point in arguments symbolised by opposing 'economics' and 'behavioural camps'. This may be compared to Redding's (1994) arguments against the 'positivist straight jacket' and 'imperialism of economics', and for nomothetic-ideographic iterations.

Secondly, Laughlin (1995) distinguishes his middle-range thinking from Merton's (1968) theories of the middle range. Merton was concerned with bridging the gap between unified theories such as Marxism, that attempt to explain all the observed uniformities of social behaviour, organisation and change, and, on the other hand, working hypotheses that evolve in abundance during research. Merton's theories of the middle range, such as theories of authority and of institutional interdependence, are more than empirical generalisation, as each "comprises a set of assumptions from which empirical generalizations have themselves been derived" (ibid. page 41). Although grounded in empirical research, they raise questions for further inquiry, and at the same time are consistent with, and consolidated into, wider unified theory.

Theories of the middle range therefore describe the link between micro-theory and grand theory (on the vertical axis of Figure 2.2) sought by Redding (1994). It is on this link with unified theory that Laughlin takes issue with Merton. Laughlin has no faith in development of grand or uniform theory. The problem seems to be that the social world is insufficiently detached and material for wholly objective observation. It is also subject to too much change. Consequently the assumptions of high methodology are unrealistic for the social world, and hence are insufficient to support generalisations of unified theory. This argument sounds similar to opinions that the social world is too reflexive, and that social reality is too bound up with participant's social construction of that reality, for there to be either an entirely objective understanding of that reality or any theory that can predict social situations (Altheide and Johnson, 1994; Kvale, 1996). Instead, Laughlin offers 'skeletal' theories. These offer broad understanding of relationships, but which require to be fleshed out by observers with empirical detail of the particular contexts to which they are to be applied, before they can be meaningful. They offer the prospect of learning from previous research, but recognise that how this learning is to be applied depends upon the particular circumstances. This is important to accounting, which is not "some technical, context-free phenomenon" (Laughlin, 1995, page 82), and yet for which learning from experience offers much benefit. It is at least as relevant for management control in different countries and national cultures.

Laughlin's 'skeletal' theories may be consistent with Redding's call for the study of clusters of phenomena, and for abstract models for encouraging multi-disciplinary research. But they challenge how far uniform theories, such as "the current grand theory of Hofstede" (Redding, 1994 page 350), can assist understanding. This epistemological and methodological concern may throw further insight onto the growing realisation of the limitations of Hofstede's scheme of cultural dimensions for advancing cross-national research into management control (Bhimani, 1999; Harrison and McKinnon, 1999).

Thirdly, Laughlin (1995) argues that the tightly defined 'set of spectacles' of high methodology, constrains what can be researched to its limited perceptual categories. This limitation may be appropriate where the theory to be tested is clear and unambiguous. The foregoing review of cross-national research into management control suggests that we are in a bind of having insufficient theory grounded in

empirical research to guide future research. Part of the problem may be, on the one hand, that in trying to advance this knowledge, we are relying too much on what is within perceptual limits of high methodology, and on positivist epistemology that seeks strong links with established bodies of knowledge. Also, perception of existing management control theory may, like management theory (Boyacigiller and Adler, 1991), be restricted by parochialism, drawing predominantly on Anglo-Saxon thinking with insufficient recognition of emic concepts. There are therefore a number of reasons why research in this field may be constrained by a restricted vision. On the other hand, low methodology usually suffers from little public knowledge about what sort of the research 'spectacles' have been used. This reduces the potential for inter-study analysis and learning. Middle-range thinking on methodology offers flexibility and diversity in the discovery process, with some clarity of what perceptual rules have been used. Middle range methodology, such as grounded theory (Glaser and Strauss, 1967; Strauss and Corbin, 1998), may offer an alternative approach to reconciling findings from disparate research assumptions implicit in the nomothetic-ideographic iterations called for by Redding (1994).

2.5 Mapping the empirical research to date

The empirical studies into management control in different countries are mapped onto research assumptions (Burrell and Morgan, 1979), in the framework shown in Figure 2.4. The horizontal axis is concerned with what is researched. It principally depicts ontological assumptions, of whether management control is an objective fact (realism) or a social construction (nominalism); assumptions in the middle range include perceptions of management control. This horizontal axis also reflects assumptions about the human nature of the people studied, of managers concerned with management control and of their staff. Where apparent from the studies, assumptions about human nature may nudge the position to the right or left depending on whether the assumption is of behaviour determined by contextual factors (determinism) or of purposeful action (voluntarism). The vertical axis is concerned with how the research is done and how it sets out to increase knowledge. It depicts methodology ranging from nomothetic concerns such as with objectivity and replicability, typically indicated by large surveys using established instruments, to ideographic research that seeks understanding through getting close to or involved

with what is researched, such as in ethnomethodology. The middle range includes case studies and mixed methods using qualitative and quantitative techniques.

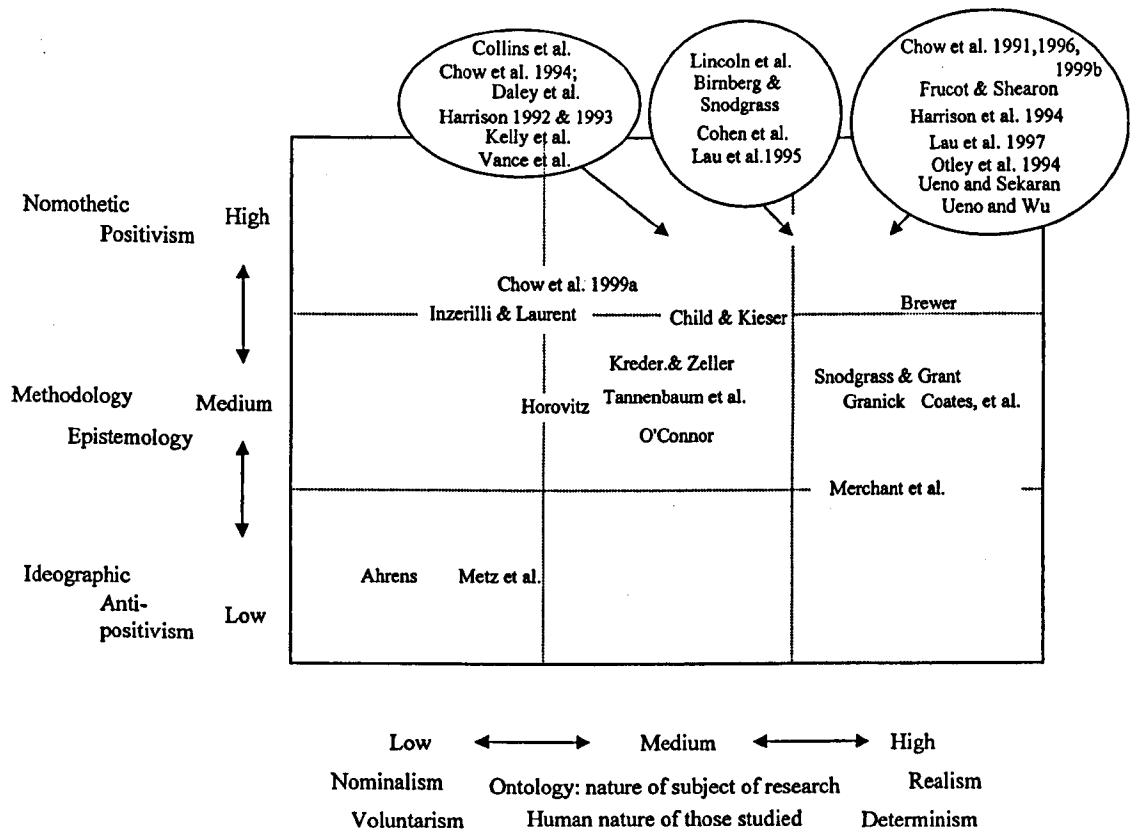


Figure 2.4: Methodological position of empirical cross-national studies into management control⁹

The vertical axis reflects also epistemological assumptions about the nature of knowledge. This ranges from positivist concern for building on prior established knowledge, causal relationships, verifying or falsifying hypotheses typically using statistical tests, to anti-positivist concern for understanding from the insight of those involved with what is researched. These axes therefore differ from those used by Laughlin (1995), which are different again from those of Redding (1994).

The vast majority of empirical studies reviewed here fall into the top row of Figure 2.4 depicting nomothetic positivist research. Of these, most fall into the top right hand box indicating realist ontology and determinism, and which among the boxes falls most clearly into Burrell and Morgan's (1979) functionalist paradigm of

⁹ The research method and methodology of the study by Kreder and Zeller (1988) are described by Hoffman, 1984.

sociological research. This box lies on the diagonal from high high to low low assumptions suggesting comfortably consistent assumptions (Morgan and Smircich, 1980). However, this positioning indicates several problems for cross-national research into management control. Within this functionalist corner lies the comparative management research criticised by Redding's (1994) for suffering from a positivist straightjacket and the imperialism of economics.

2.5.1 Problems raised by nomothetic methodology

Tight systematic research protocols of nomothetic research, in search of objectivity, tend to restrict the number of variables that can be researched in one study. They preclude a holistic approach. For example, they are generally insensitive to what is emic in culture. By restricting cultural research to what can be objectively measured as universal variables, much of what distinguishes one culture from another is excluded. It also shuts out the greater complexities of interrelationships with other socio-economic factors within the economic context (Schollhammer, 1969). For example, joint effects of environmental factors might be identified in nomothetic research only if each of these factors is measured quantitatively; which is likely to be done only for those factors identified at the outset of the study and that can be readily quantifiable by the researchers. Problems are also raised for research into management control. Restricting the number of variables tends to ignore the complementary and substitutable nature of control methods, and obscures the wider concept of control as opposed to controls (Drucker, 1964) or control methods. These problems are identified by Chow et al. (1996, page 189):

"Studies of cultural effect are complex undertakings in poorly charted waters. ... we still have much to learn about the relationships between national culture and controls. The relationships are probably more complex than that implied by our univariate and linear aggregation approach. Just as the parts of a control system operate as a package, each individual simultaneously embodies all the dimensions of national culture. Furthermore, just as controls have the potential to complement or substitute for one another, multiple cultural dimensions may affect individuals' preferences for, and/or reactions to a given control in interactive ways."

This is not to suggest that continuing research of a narrow range of control variables, such as participative budgeting, may not be worthwhile. However, the conflicting findings to date, suggest that this avenue of research may need more replication of previous research, in order to increase confidence in research findings (Otley et al., 1994; Lau et al., 1997). It may also need tighter control of extraneous variables with perhaps more refined measurement and analysis than has been achieved to date. For example greater use might be made of experiments rather than field surveys. This however takes research a step further away from the holistic complexity of maintaining control in business organisations.

2.5.2 Problems raised by realist ontology

Research based upon realist, rather than nominalist, assumptions is less sensitive to subjective perceptions, values and meanings. It is well suited to researching management control as an objective fact, such as existence of budgeting and evaluation procedures. It is less well suited to subjective perceptions of the extent a business is under control, and opinions as to how control assurance might be improved. Anglo-Saxon professional and business interest in control seems to be increasingly concerned with subjective aspects, such as reasonable assurance (COSO, 1994; CICA, 1994; IIA – UK, 1994) and judgements inherent in risk management to provide that reasonable assurance (Turnbull, 1999). Research based upon assumptions of realist ontology is therefore likely to shut out important subjective aspects of management control. Besides being complex, management control is largely subjective, at least up to the point when managers agree retrospectively that it has failed.

2.5.3 Determinism

There is a bias towards determinism in the ecological approach to comparative management (Schollhammer, 1969) and in the contingency approach to management control (Bhimani, 1999). This determinism has problems in explaining the extent of variety apparent in management control (Bhimani, 1999), as it tends not to recognise the variability of management control and of views on management control that can arise from choice and idiosyncrasies of individuals and organisations. It is also generally blind to the possibility of managers and organisations reflexively responding to their environment to create new meanings of management control,

such as identified by Ahrens (1996), or indeed of managers changing the strategic environment for their businesses (Hedlund and Rolander, 1990; Prahalad, 1999).

2.5.4 Problems raised by positivist epistemology

Positive epistemology calls for building on previous knowledge. It uses deductive logic for testing hypotheses derived from prior theories. These raise difficulties if the existing body of knowledge does not provide a firm foundation for hypotheses in further research. It was suggested above that one of the reasons for inconsistencies between empirical cross-national studies into management control, and between them and cultural theory, may be that existing cultural theory is not yet sufficiently precise to show clearly what to expect in particular situations under study.

Assumptions of positive epistemology, together with those of determinism, lead researchers towards search for universal laws with predictive power in the field of cross-national management control (Hoffman, 1984; Harrison, 1992, 1993). Bhimani (1999) claims that ideational definitions of culture lead to a search for cultural elements that are sufficiently precise to allow research into what influences functioning of organisations, and yet sufficiently general to be relevant for cross-national comparison. It is suggested here that what is general across cultures, i.e. etic, may explain some differences in management control between national cultures. But cross-national research is at present insufficiently specific to predict what sort of management control is to be found, and usually insufficiently emic to explain the meaning of management control elements. Perhaps there will always be insufficient knowledge of what shapes management control, and management control is insufficiently deterministic, for universal laws to have much predictive power. In this situation, and while we understand so little about the scope, effects and complexities of cultural and other contextual factors that can interact with management control, a search for the sort of skeletal theories described by Laughlin (1995) appears to be more realistic.

2.5.5 Towards ideographic research, anti-positivism, nominalism and voluntarism

The weight of research to date shown in the upper right hand boxes of Figure 2.4, suggests that research approaches have constrained the focus of many studies and have created some problems by restricting the research variables too narrowly. More

research using ideographic and nominalist approaches may, if nothing else, open the way for more holistic views of management control in different cultures and countries. It may also lead to induction of new theory that can provide a firmer foundation for further deductive positivist research. More use in research approaches of subjective assumptions (Burrell and Morgan, 1979), than those required of nomothetic research, may offer a more promising way out of the problems than better control of extraneous variables and more refined measurement and analysis.

2.6 Conclusions – the way ahead

Cross-cultural research into management control is in its infancy (Bhimani, 1999; Harrison and McKinnon, 1999). Little consistency of empirical research findings has been achieved either between studies or with cultural theory. The success of Hofstede's (1984, 1991) cultural dimensions has been unfortunate, although it was timely in showing how to unbundle and operationalize national culture (Harrison, 1993; Sondergaard, 1994). Firstly, it has encouraged too much focus on a narrow view of culture founded on ontology of realism, and discouraged attention to other contextual factors such as history, institutions, political, market and other social factors (Merchant et al., 1995). Secondly, it has given the illusion of solid theory that may be insufficiently precise to indicate what to expect in particular research situations. It has therefore been a poor foundation for positivist research.

Shifting the weight of research effort out from the familiar functionalist research paradigm may allow more holistic research of both management control and its cross-national context. Better use may be made of what cultural and cross-national theory (e.g. the work on institutions by Whitley, 1991, 1994, 1999) that we have. For example, potential relationships between time orientations (Hall, 1979; Trompenaars, 1993; Hampden-Turner and Trompenaars, 1993, 1997, 2000) and management control is a large area outside Hofstede's theory that appears to be largely untouched by empirical research.

Greater use could be made of middle range methodologies with the aim of inducing skeletal theories (Laughlin, 1995) to assist learning and understanding rather than unified theories and prediction. This may help provide knowledge that has better empirical grounding. Such knowledge may provide a better basis, than we have at

present, for further research, which in turn may lead to theory that provides a sounder basis for positivist research.

This chapter has emphasised the potential for resolving the current lack of consistent knowledge building, which may be achieved by a shift in methodological approach. This is not to deny the potential outlined by Bhimani (1999) and by Harrison and McKinnon (1999) for broadening the concept of culture beyond shared values to symbolism, and beyond the consensus implied in shared values to tensions of power and conflict within cultures. Basing research on sociological, anthropological and historical views of culture (Harrison and McKinnon, 1999), and on theories of new institutionalism and the new historical frame of reference (Bhimani, 1999), may open new insights to cross-national management control. For example, it may help move research perspectives from a static view of management control at a point in time, towards the dynamism of emerging and adaptive management control. It may also help resolve the present barriers to moving knowledge forward in this field. However, on this latter point, it is suggested here that progress may also be achieved within the dominant views of ideational culture, so long as other contextual factors are recognised alongside culture and more research is done using middle range methodologies. It is this more modest agenda of moving forward within the ideational view of culture that has been adopted in this research. Meeting the calls of Bhimani (1999) and of Harrison and McKinnon (1999) for seeing national culture in more dynamic terms, than given in the ideational view, will have to wait for another study.

CHAPTER 3. RESEARCH METHODOLOGY

3.1 *Nomothetic research*

The ultimate purpose for this research, of assisting managers, might put it within Burrell and Morgan's (1979) functionalist paradigm. A theory showing how perceptions of management control are determined by cultural and other cross-national factors, could be useful for predicting how perceptions of control and control awareness vary between cultures. This information could be input to the design and audit of management control systems for MNCs. It could assist the formation and management of multi-national joint ventures.

Once possible perceptions of management control have been defined and included in hypotheses, comparison of these perceptions between national cultures could have a realist ontology. For example, national culture might be a real phenomenon that can be identified by practical managers and measured quantitatively by researchers. The epistemology of this comparison would be a matter of either demonstrating or falsifying hypotheses concerning relationships, between patterns of perceptions and national culture, that add to existing objective knowledge; its epistemology, like that used by Hofstede (1984), would be positive. Demonstrating these relationships would be done with nomothetic research methods, such as a survey of managers' perceptions of management control and of their national culture; such research might be similar to that by Hofstede (1984) or Trompenaars (1993). The survey could be done with managers of as many cultures as the survey questions are shown to be valid for, bearing in mind the cultural bias implicit in survey designs (Hofstede and Bond, 1988; Hofstede, 1994) and the care needed in cross-cultural measurement. This fits in with Burrell and Morgan's (1979) objectivist assumptions.

3.2 *Ideographic research*

However, before such an objectivist research approach can be taken, the researcher has to identify the different types of perception that might be found. A questionnaire that sets out to measure cultural perceptions would only be rigorous, according to nomothetic methodology, if it were based upon hypotheses concerning possible perceptions to be found in the survey population. Perceptions that are not included in

the hypothesis would not be measured with nomothetic means, even if they existed in some or all of the populations. This research sets out to identify what sort of control perceptions are to be found in three different cultures. For this, an interpretative and ideographic research approach is being taken, based upon anti-positivist epistemology of revealing how assurance is constructed in the minds of managers, and on nominalist ontology of subjective perceptions.

Moreover, the Anglo-North American basis of most management theory (Boyacigiller and Adler, 1991), to say nothing of management control theory, indicate the need for any questionnaire to address adequately the issues that are relevant to respondents of all of the cultures being studied. This need is heightened by the ethnocentric tendencies of Anglo-North American cultures (Redding and Martyn-Johns, 1979). Questionnaire results may be sensitive to the subject of particular questions. This is illustrated by the greater concern found by Trompenaars (1993) in French and Brazilian cultures for rules about restaurants than about traffic accidents; French and Brazilian respondents appeared to be much more Universalist in questions concerning restaurants than in those about traffic. This is also borne out by comparison of some of Trompenaars results, such as Individualism or Collectivism of French culture, to those of Hofstede (1984). Therefore considerable care is needed to ensure not only that cultural bias is minimised (Boyacigiller and Adler, 1992; Hofstede, 1994), but also that each question, used in instruments for cross-cultural research, is appropriate within each culture to the phenomenon being studied. This is the problem of functional equivalence (Adler, 1983). It is a second important reason for preceding any questionnaire on cultural perceptions of management control with ideographic research, in order to identify the control issues that are important to managers of different cultures.

A third reason, for starting a series of studies in this area with ideographic research, is reflected in various calls for more case or field study, ideographic or holistic research into the area (Chow et al., 1999b; Harrison and McKinnon, 1999; Whitley, 1999). Problems were identified in Chapter 2 with research that focuses too narrowly on one or a few control mechanisms and on a narrow range of cultural dimensions, and with research that takes too much of a deterministic view of human nature.

A natural checkpoint at the end of this Ph.D. research will allow review. Other researchers, or a research team, may then take up the research question with different methodological assumptions and research methods. This would allow introduction of fresh research paradigms, and different cultures and disciplines among the researchers. This fresh approach has already been started with a multi-cultural research team using more nomothetic methods (Emmanuel et al. forthcoming).

3.3 Grounded theory case study as a middle range approach

Although a predominantly ideographic methodology within the interpretivist paradigm is being taken in this study, the attraction of generating a theory that managers can use in their multi-cultural work environments, points to a middle range approach between the functionalist paradigm and extreme interpretivist positions. The theory may be 'skeletal', offering the benefit of learning from specific situations, without providing specific or predictive details of what may be expected in future situations (Laughlin, 1995).

Grounded theory, following Strauss and Corbin (1990, 1998)¹⁰, was chosen from among less extreme interpretive research approaches. This is likely to be sensitive both to management control ideas apparently novel to British thinking, and to other factors besides national culture, that may shape these perceptions. It follows the recommendation by Adler et al. (1988) for grounded theory in research into perceptions by oriental managers. Equally an interpretive, rather than judgmental, attitude to unfamiliar control thinking is likely to rebut the criticism that treating culture as an external variable leads to ethnocentrism (Schwartzman, 1993). In particular, inducing theory grounded from what is found in the field, should avoid the tendency towards ethnocentrism from starting with *a priori* theories (Bhimani, 1999). Furthermore, a grounded theory approach has the aim of generating theory that is both sufficiently general to be applicable in diverse situations, and understandable to non-researchers (Glaser and Strauss, 1967) concerned with management control. Finally, the problems described in Chapter 2 with the existing

¹⁰ Because of the schism (Glaser, 1992; Parker and Roffey, 1997) between Glaser and Strauss, who developed the grounded theory research approach, a distinction is made between Glaser's version and Strauss' version of grounded theory.

theory of relationships between national culture and management control, and the inconsistency between theory and empirical research findings, are a further reason for adopting a grounded theory approach to the research question.

The distinction between independent variables, that affect perceptions of management control, and the context of management control are at this stage far from clear. Indeed identifying examples of factors that affect perceptions of management control would be a significant finding. This situation is well described by Yin's (1994, page 13) definition of a case study as

"an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident."

Strauss and Corbin's (1990 and 1998) version of grounded theory is being used within an exploratory case study (Yin, 1994), thus combining case study method with grounded theory (Eisenhardt, 1989; Orlikowski, 1993; Parker and Roffey, 1997; Slagmulder, 1997).

Yin (1993) maintains that case study and grounded theory are different, exclusive and should not both be used in a single study. This is based upon two misunderstandings, firstly that grounded theory precludes testing hypotheses, and secondly that it cannot use quantitative methods. Testing or validating emergent theory against data is a feature of Strauss' version of grounded theory (Strauss and Corbin, 1990 and 1998). Secondly, quantitative methods are seen as options within grounded theory research (Glaser and Strauss 1967; Strauss and Corbin, 1990 and 1998).

The Strauss, rather than Glaser version of grounded theory (Glaser, 1992), is being used because its theoretical sensitivity, that includes prior experience, offers an important practical advantage. This researcher had many years of experience as an external and internal auditor, management accountant and financial controller. This included practice and review of management control. Therefore much of the language and issues of the areas of study were already familiar to him. His cultural experience includes being brought up in the USA and the UK, and working in the UK, other Western European countries and several Far Eastern locations including mainland China. He has some knowledge of mandarin, the language spoken in

Beijing, and lives in a multi-cultural family with a wife from Beijing and two bilingual daughters; therefore he faces each day different cultural perspectives and the challenge of understanding and communicating across national cultures. Secondly, this research has a clear research question, which is precluded by the Glaser version of grounded theory (Glaser, 1992). Thirdly, Strauss and Corbin (1990 and 1998) offer provisional testing of a grounded theory, which may offer greater comfort to managers that it may be reliable, valid and useful to them. Finally, the clear research process set out by Strauss and Corbin (1990 and 1998) offers a relatively easy to follow guide (Parker and Roffey, 1997), with various techniques for assisting provision of rigour to the research process.

3.4 Criteria for evaluating research

This section and the remainder of this chapter address criteria for rigorous research using the grounded theory case study approach. A primary reason for this concern is that researchers using middle range methodologies face competing demands. Middle range research methodologies, of which it will be argued grounded theory case studies are an example, face challenges of responding to evaluative criteria. As Holland (1999, page 1) writes:

"If the 'middle of the road' or 'middle space' researcher is not clear on their knowledge, reality and behaviour assumptions then they may well face problems of being 'run down' by the positivistic or the pure subjectivistic 'trucks' at the two ends of Morgan and Smircich's framework (1980)"

On the one hand, positivists from the functionalist paradigm¹¹ (Burrell and Morgan, 1979) demand research rigour to be shown with hard criteria. On the other, there are those among strong subjectivists, such as phenomenologists and ethnomethodologists, who argue that such hard criteria are misplaced and misguided.

A secondary reason for explaining these criteria is that thinking about them shaped the numerous design decisions for this study from planning the fieldwork to final

¹¹ The word 'paradigm' is used here in the sense meant by Burrell and Morgan of a view "of the social world based upon different meta-theoretical assumptions with regard to the nature of science and of society" (1979, page 24).

writing up. The remainder of this chapter therefore serves as an introduction to the following chapter on *Research Methods*.

3.4.1 Dependent on methodology

Evaluative criteria have tended to be stated from perspectives of well established research paradigms that incorporate strongly objectivist or subjectivist assumptions. There are a number of reasons why middle range, including grounded theory, researchers find themselves justifying their research by reference to criteria of other paradigms. First, methodologies for middle range research have been developed relatively recently compared to those for functionalist social science and, for example, anthropology. They are relatively underdeveloped, and much work needs to be done to describe and justify their approach to doing research. Second, methodologists (for example Morgan and Smircich, 1980; Laughlin, 1995) tend to pigeon hole research approaches into methodological schools. New approaches to research are put into categories developed for different, but apparently similar, established methodologies. There is then a temptation to question features that do not fit the classification. Third, comparisons have tended to cast research paradigms for social science as mutually exclusive, so that any approach drawing from more than one paradigm is seen as inconsistent (Burrell and Morgan, 1979, and to a large extent Guba and Lincoln, 1994). Rationales in the middle range tend to be crowded out by those of dominant paradigms. Fourth, well established positions have acquired orthodoxy and, at least among schools of their supporters, a social construction of legitimacy buttressed by priests and texts (Berger and Luckmann, 1967) of established academe. These social forces tend, no doubt, to defend their socially constructed territory by questioning research that does not fit orthodox criteria for rigour.

Criteria concerning reliability, truth and validity of knowledge depend upon ontological and epistemological assumptions (Smith, 1990). For example, validity as correspondence with phenomenon in the real world, depends upon the phenomenon being seen as having an objective reality (Kvale, 1989 and 1996).

Therefore it is not surprisingly that criteria for good research have been linked to research methodologies, which depend upon ontological and epistemological

assumptions, and to research paradigms that embrace ontology, epistemology and methodology (Smith 1990; Llewellyn, 1992; Guba and Lincoln, 1994).

Kirk and Miller (1986), writing on qualitative research in general, maintain that the traditional scientific canons of reliability and validity should be followed. This appears to represent views from the functionalist paradigm. Covalleski and Dirsmith (1990) point out that the meaning of reliability and validity is problematic when applied to qualitative research. Altheide and Johnson (1994), as ethnographers, go further in maintaining that an objective reality and researcher independence are inapplicable to qualitative research, which is reflexive. This is because the social scientist is part of the setting, context and culture that he or she is trying to understand (see also Scapens, 1990; Hammersley, 1992; Humphrey and Scapens, 1996). They offer, as criteria, plausibility and credibility of the knowledge produced, including meanings and interpretations, to a variety of perspectives and audiences. They also offer the relevance, importance and usefulness of that knowledge.

Between these polar views are those who offer less extreme subjectivist criteria (e.g. Guba and Lincoln, 1981) and those who argue that positivist criteria should be reinterpreted for application to interpretive research (Corbin and Strauss, 1990; Kvale, 1996).

3.4.2 Grounded theory as a methodology and method

Because criteria for research depend upon ontological, epistemological and methodological assumptions, it is necessary to be clear whether the grounded theory research approach is a methodology. Furthermore, if it is a methodology, its inherent assumptions should be understood, before evaluative criteria for grounded theory research can be considered. For this, Llewellyn's distinction (1993, page 232) between methodology and method is adopted:

"methodology reflects the ontological and epistemological assumptions of the researcher (particularly those concerning the relationship between subject and object) whereas methods are secondary concerns around techniques used for data collection".

At the outset in 1967, Glaser and Strauss were not specific whether grounded theory research is a methodology or method. Strauss and Corbin now clearly describe grounded theory as both a method and a methodology:

“Our qualitative analysis offers a cluster of very useful procedures - essentially guidelines, suggested techniques, but not commandments. We also offer a methodology, a way of thinking about and studying social reality” (Strauss and Corbin, 1998, page 4).

This opens the question of what sort of methodology grounded theory is, on what ontological and epistemological assumptions it rests. Burrell and Morgan’s schema (1979) is a good starting point, because it compares methodologies, that straddle grounded theory, and it contrasts assumptions, which are the basis for competing criteria. Ontological assumptions concerning the nature of phenomena being studied, epistemological assumptions about the nature of knowledge, and methodological assumptions about how knowledge can be acquired through research, are depicted on an objectivist to subjectivist dimension. This dimension, together with whether research should be concerned with changing society (sociology of regulation or of radical change) separates research paradigms into a matrix shown in Figure 3.1.

SOCIOLOGY OF RADICAL CHANGE	RADICAL HUMANIST	RADICAL STRUCTURALIST
	INTERPRETIVE	FUNCTIONALIST
SOCIOLOGY OF REGULATION		
	SUBJECTIVIST ASSUMPTIONS	OBJECTIVIST ASSUMPTIONS

Figure 3.1: Four paradigms of social science, from Burrell and Morgan (1979)

Strauss and Corbin (1994) describe grounded theory research as interpretive and with ‘theoretical underpinnings’ of “Pragmatism and Symbolic Interactionism”. Morgan

and Smircich (1980; also Covaleski and Dirsmith, 1990) describe grounded theory as an example of symbolic discourse, which they place among subjectivist methodologies but lying next on a spectrum to objectivist methodologies. Parker and Roffey (1997) find some similarities between grounded theory and symbolic interactionism. However, Hammersley (1989) finds features of grounded theory pointing to both positivist epistemology and subjective approaches to social science. He argues (*ibid.* page 204; see also Pigeon, 1996) that grounded theory departs from assumptions of symbolic interactionism as it “assumes strongly determined relationships among variables, where symbolic interactionism emphasizes the creativity and indeterminism of human action”. For similar reasons, Guba and Lincoln (1994) put grounded theory research into a postpositivist paradigm.

Grounded theory research, although applicable in many disciplines, fits into a specific range of assumptions. It is probably best seen as a distinct methodology, within the interpretive paradigm, but lying close to the boundary with the functionalist paradigm (if firm boundaries can be drawn between paradigms).

Laughlin (1995) takes Burrell and Morgan’s schema further, by using three dimensions and describing a middle range for methodologies, between Burrell and Morgan’s paradigms. This schema is depicted in Figure 3.2, onto which grounded theory case study research is positioned.

Laughlin’s ‘change’ dimension is concerned with the extent that research should lead to change in what is researched. All of the grounded theory case studies mentioned above, as well as the study described here, are concerned with researching the status quo; they might be positioned in the low change, or front, slice of Figure 3.2. However Parker and Roffey (1997) recognise that grounded theory implicitly or explicitly has the capacity to change the phenomenon studied. Case study research is established within critical perspectives of the social status quo (for example: Capps et al., 1989; Jones and Dugdale, 1994; Arnold and Cooper, 1999). It is suggested here that grounded theory case studies, like other case studies (Broadbent and Laughlin, 1997), could be used in at least the middle range of Laughlin’s change dimension. In this middle slice of the change dimension, researchers maintain an open mind on whether what they find should be preserved or whether their research should lead to its change.

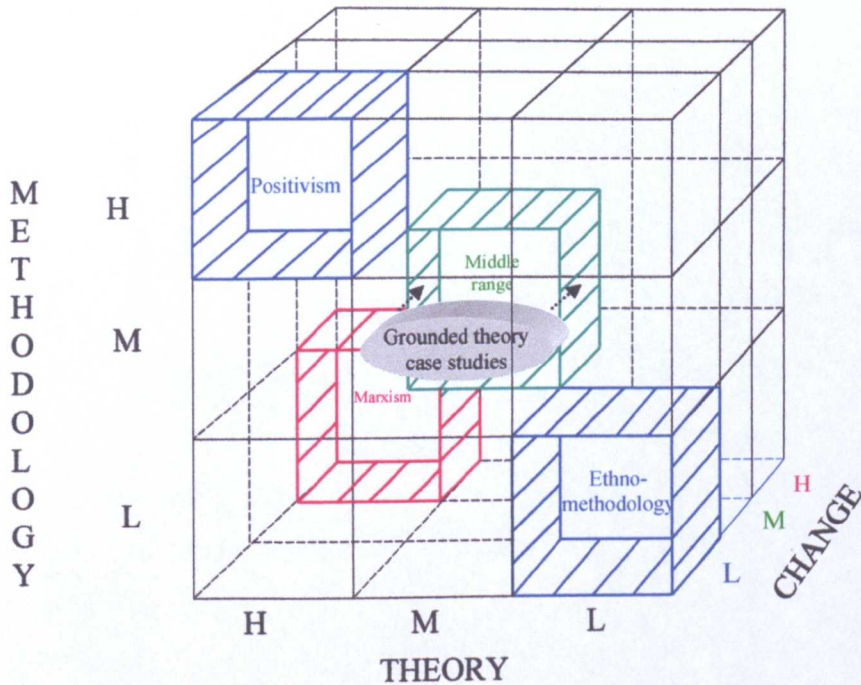


Figure 3.2: Laughlin's 3 dimensional schema of methodologies, with addition of grounded theory (based on Laughlin, 1995)

Laughlin's 'methodology' dimension refers to the extent of reliance on researcher independence and on rules on how to do research, as opposed to researcher involvement, use of perceptual skills and avoiding closure of methods and findings to a subjective reality. It represents the dilemma posed by Evered and Louis (1981) of whether to research 'from the outside' or 'from the inside'. Strauss' version of grounded research is dependent upon both subjective sensitivity of the researcher to the phenomenon researched and upon a research process. Case study research using Strauss' version of grounded theory can accommodate reflexive interaction between the researcher, research process and the subject being researched. Rejection of objectivist search for researcher independence, and at the same time contravening subjectivist abandonment of guidance on how to do research, places it firmly in the middle horizontal methodological layer of Figure 3.2.

Strauss' version of grounded theory research allows use of prior theory to inform initial inquiries, so long as patterns are allowed to emerge from the data under study. They describe grounded theory as "derived from data, systematically gathered and

analyzed through the research process” (Strauss and Corbin, 1998, page 12). But they also allow use of prior theory, concepts and ideas at the outset of fieldwork:

“The theories we carry in our heads inform our research in multiple ways ... Literature can be used as an analytic tool if we are careful to think about it in theoretical terms. It can furnish initial ideas to be used for theoretical sampling” (Strauss and Corbin, 1998, page 47)

“Initial interview questions or areas of observation might be based on concepts derived from literature or experience or, better still, from preliminary field work” (op. cit., page 205)

It can also be used near the end of a study:

“Some research turn to the literature to look for a unifying concept that might fit their data. They do this when they ... have an intuitive sense of what the central idea is but have no name for it. ... This system helps analysts to locate their findings in the larger body of professional knowledge and to contribute to further development and refinement of existing concepts in their field. However, this is not our usual approach because, more often than not, existing concepts only partially fit the data” (Strauss and Corbin, page 153, emphasis in original)

“When you have finished developing your theory and are writing up your findings, you can reference the literature in appropriate places” (Strauss and Corbin, 1990, page 52)

For Strauss and Corbin, the danger with bringing theory and ideas to a grounded theory research study is that they may block researchers’ perception of what emerges from the data:

“The important point for the researcher to remember is that the literature can hinder creativity if it is allowed to stand between the researcher and the data” (Strauss and Corbin, 1998, page 53).

Therefore, although Glaser’s rejection (1992) of prior literature and theory puts his version of grounded theory low on use of prior theory, Strauss’ version moves towards the middle ground.

Laughlin’s ‘theory’ dimension refers to how much prior theory is brought to the research for verification or falsification, as opposed to relying on the researcher’s

uncluttered perception. It also considers the extent that knowledge is built incrementally from prior ideas to wider generalities, rather than knowledge as insight specific to the particular situation. However, there is more to Laughlin's 'theory' dimension than how prior theory is used, as it includes ontological as well as epistemological assumptions. Case study research is based on the assumption that it is worthwhile to do field research of context dependent reality. Much grounded theory research is sensitive to how social phenomena are seen or experienced by people, whether as individuals or as members of organisations (Cottingham and Hussey, 1996; Maruyama, 1996; Orlikowski, 1993; besides the original work by Glaser and Strauss, 1967, concerning awareness of dying). Yet both grounded theory and case study research inquire into patterns that can be depicted as theory. They often combine concern for reality as experienced with more objective reality of discernible patterns that transcends people and situations. Grounded theory case studies are based on middle range ontological assumptions between wholly objective and wholly subjective reality.

Theoretical sampling of grounded theory and analytical generalisation of case study research are concerned with building or supporting theory from the specific data under study. This theory may then be transferable for the purpose of explaining some other situations. This transferability¹² involves two issues. Firstly, a theory may or may not be sufficient to predict what will happen within a particular situation. Although Corbin and Strauss (1990) maintain that a grounded theory may implicitly give some degree of predictability within the specific type of conditions of the study, theoretical sampling, like analytical generalisation of case study research, is insufficient to support statistical inference. The problem is that theoretical sampling is driven by emerging concepts and the aim of exploring the range and conditions in which their properties appear in field data (Strauss and Corbin, 1998); it does not select samples that are representative of wider populations¹³. Furthermore, any

¹² The term 'transferability' is used in order to distinguish application of findings to situations from applying them to populations or the world at large (Henwood and Pigeon, 1992; Miles and Huberman, 1994).

¹³ The implications of theoretical sampling not supporting statistical inference are explored further in 4.3.2 *Selection of data sources*.

assumption that people are able to choose whether and how to respond to their world, and the reflexivity of social science research, points to complex and indeterminate findings about social phenomenon, rather than predictability. Grounded theory research does not demonstrate a level of confidence at which predictions can be made, but it does explain what is happening. Secondly, there is the question of to which situations a theory can be transferred. Grounded theory research does not claim to provide universal laws, but the scope of a grounded theory broadens with the breadth of conditions under which it is generated and tested. Laughlin's analogy (1995) of a 'skeletal theory' may be apt for these two features of transferability. A skeletal theory is sufficiently complete to link to the empirical research from which it is drawn, but implies that people who use it must flesh out its bare bones with the metaphorical 'flesh', 'sinews' and 'psychological makeup' of the situation to which it is to be applied. While not guaranteeing generalisation to other situations, it enables useful learning for the future.

This middle range epistemology of grounded theory also offers to provide what Merton (1968) described as middle range theory (Glaser and Strauss, 1967; Hammersley, 1989). Middle range theory in Merton's sense, from which Laughlin (1995) distances himself, is empirically grounded, lying between working hypotheses and universal theories that seek to explain all uniformities of social behaviour, organisation and change.

Grounded theory case studies can therefore be seen to occupy the middle range of both Laughlin's (1995) methodology and theory dimensions.

3.4.3 Criteria for grounded theory and case studies

Glaser and Strauss (1967), the originators of grounded theory, put forward criteria for judging theory induced by their approach as shown in Table 3.1.

The theory:	
1	"must closely <i>fit</i> the substantive area in which it will be used" (Glaser and Strauss, 1967, page 237), that is "the categories must be readily (not forcibly) applicable to and indicated by the data under study" (op. cit., page 3)
2	Readily <i>understandable</i> to laymen (i.e. non-researchers) concerned with this area
3	"Sufficiently <i>general</i> to be applicable to a multitude of diverse daily situations within the substantive area" (op. cit., page 237)
4	"Allow the user partial <i>control</i> over the structure and process of daily situations as they change through time" (op. cit., page 237)

Table 3.1: Glaser and Strauss' (1967) criteria for grounded theory

The first criterion, of how well the theory fits the data, is not clear on the ontological question of whether fit is objective or reflexive. While an objective fit requires the researcher to be independent, reflexive fit would depend upon the perspective of the researcher and the research audience who will use the findings. The other criteria are concerned with whether the theory *works* in being meaningfully relevant and able to explain the behaviour studied. They are concerned with perspectives of the research audience and with the usefulness of the new theory. These criteria appear to be informed more by the subjectivist assumptions of anti-positive epistemology.

Yin (1994) lists the following four criteria, shown in Table 3.2, as requirements for good empirical social science research, including his case study methods.

1	Construct validity	Establishing correct operational measures for the concepts studied
2	Internal validity	Establishing causal relationships (excluded by Yin from exploratory case studies)
3	External validity	Establishing the domain to which the findings can be generalised, but for case studies this is analytic generalisation to wider theory not statistical generalisations to wider populations
4	Reliability	Demonstrating that operations such as data collection and analysis could be repeated, and show the same results, in a similar case

Table 3.2: Yin's (1994) criteria for social science research

Of these, criteria 1 and 4 are heavily influenced by objectivist concerns. Yin's second criterion, internal validity of causal relationships, would also not look out of place in the functionalist paradigm. There may be some connection between these and his concern with testing as well as generating theory. The third, concerning analytic generalisation, moves away from the extreme realist and positivist view of an objective world determined by universal laws.

Yin's (1994) relatively objectivist criteria may reflect his greater concern with testing theory compared to Glaser's (1994; Glaser and Strauss, 1967) focus on generating theory. Although Yin excludes internal validity as a criterion for exploratory case studies, it will be seen below that it is relevant to grounded theory case studies.

Data Reliability Validity Credibility		Theory per Glaser & Strauss in Table 3.1	
Research process		Research findings¹⁴	
1	How original sample selected	a)	Are concepts generated and grounded in the data
2	What major categories emerged	b)	Are concepts systematically related
3	What indicated these major categories	c)	Is there conceptual density of categories and linkages between them; this gives explanatory power to the grounded theory
4	Theoretical sampling: based on which categories, how representative were these categories	d)	Is variation built into the theory
5	What hypotheses were there, how formulated and tested	e)	Broader conditions that affect the phenomenon built into the theory
6	Were hypotheses rejected, how rejection accounted for, affect of this	f)	Process with respect to the phenomenon been accounted for
7	How and why core category selected, grounds for final analytic decisions	g)	Findings seem significant
		h)	Is the theory accepted among relevant social and professional groups

Table 3.3: Strauss and Corbin's (1998) criteria for grounded theory research

Strauss and Corbin (1994) are concerned with provisional testing as well as generating grounded theory. They put forward four groups of criteria, as shown in Table 3.3¹⁵.

¹⁴ The numbering of these criteria for research findings are changed here from the numbers given by Strauss and Corbin to letters for ease of reference and to distinguish them from their criteria for research process.

¹⁵ In an earlier paper Corbin and Strauss (1990) put forward 'canons and procedures'. These are largely descriptive of the process for doing grounded theory research and explanation of some of the items listed here in Table 3.3.

Their first group of criteria, that the data used is reliable, valid and credible, is not explicated in their book (Strauss and Corbin, 1990 and 1998). The rest of their criteria refer both to the theory and to the process by which it is generated and tested. They maintain that sufficient of the research process and grounding for the theory produced should be reported so that readers can judge its quality. They thus look to the research audience to judge the research process and results, for whom they offer checklists of what to look for.

3.5 Bringing criteria together for the present study

1. Purpose and perspectives

It was recognised that the question about the quality of this study will probably be asked in terms, inter alia, of whether it successfully addresses what is intended to be researched, whether the purposes (Kvale, 1996) underlying those intentions are met. This first criterion is drawn from the subjectivist traditions of ideographic research.

These purposes include the use to which the results will, and potentially can, be put (Miles and Huberman, 1994). This aspect is termed 'pragmatic validity' by Kvale (1996). It includes Glaser and Strauss' (1967) partial control provided by a grounded theory (item 4 of Table 3.1 above).

The perspectives, from which pragmatic validity may be applied, include those who may use the research output, that is Glaser and Strauss' (1967) laymen, working within the area. In this study it includes academics who educate others in cross-national management control. It includes managers working in multi-cultural environments.

Perspectives of research extend beyond pragmatic validity to those who are researched, funding bodies and the research audience in general.

"To be regarded as valid, research needs to have been placed in the public domain so that it can be debated and defended." (Easterby-Smith et al., 1991, page 138; also Altheide and Johnson, 1994, Humphrey and Scapens, 1996; Kvale, 1996).

If a purpose of research is to advance knowledge, then criteria for judging it should be applied from the perspectives of those whose knowledge may or may not be

enhanced. This audience may extend to reviewers for refereed journals, to academia at large, and potentially to professional accounting bodies and practitioners.

2. Reliability

Reliability is rigour in data collection, measurement and testing. For example,

“The more reliable a measuring procedure is, the greater the agreement between scores obtained when the procedure is applied twice” (Cronbach, 1990, page 705).

This is reflected in Yin’s fourth criterion (Table 3.2), although he interprets reliability in terms of leaving an audit trail so that others could replicate the study, albeit with different people being researched in a different time and place. However, besides replicability, reliability was considered in this study in the sense of “the degree to which the finding is independent of accidental circumstances of the research” (Kirk and Miller, 1986). For example care was taken that the interview questions did not lead interviewees towards particular answers; this would have been an example of instrument bias.

Researcher bias may also jeopardise reliability (Easterby-Smith et al., 1991; Miles and Huberman, 1994, Kvale, 1996). Considerations included what preconceptions and expectations the researcher had at the outset of the study, designing the study so as to mitigate these, and monitoring for them, for example when transcribing interviews. Nevertheless, some researcher bias is inevitable and desirable in interpretive research such as this study; it is the researcher’s knowledge and sensitivity for the data that guides theoretical sampling.

Between instrument bias and researcher bias, there is bias introduced by the reflexive nature of social science research (Gill and Johnson, 1991; Henwood and Pigeon, 1992; Altheide and Johnson, 1994). It was recognised in the study that the people studied had opinions on being researched, and that these opinions affected their responses, which in turn were considerations in the unfolding fieldwork and analysis.

Therefore, while reliability has its roots in objectivist nomothetic methodology, it was reinterpreted for this interpretive research.

3. Validity

Whereas reliability can be seen in terms of data collection, validity is rigour in interpretation of data to reach research findings. Cronbach defines ‘validation’ as “investigation into the soundness of a test interpretation, or of a rule of interpretation” (1990, page 707). This moves beyond correspondence of findings with a real objective world, to a matter of interpretation that depends upon judgement (Tschudi, 1989). This in turn raises the question of from whose perspective validity is to be judged (Kvale, 1989). It thus returns to the criterion of the research purpose and perspectives and to validity as credibility. Therefore, although validity may be seen as a nomothetic criterion, it can be argued to be important also to interpretive or ideographic research. Interpretation loses credibility where the interpretive stance is neither explicit nor explained. Only in this way can the audience for a research study form their opinion as to the interpretive judgements used. The following are examples of some of the validity considerations that influenced decisions in the present study.

Construct validity (item 1 of Table 3.1):

Cronbach and Meehl, who developed construct validity, explain that (1955, page 282):

“Construct validity must be investigated whenever no criterion or universe of content is accepted as entirely adequate to define the quality measured.”

Yin (1994) sees apparent lack of it as a source of criticism for case study research. His solution is for the researcher to demonstrate that constructs are ‘correctly measured’ through an audit trail of the data collection process, or ‘chain of evidence’, through use of multiple sources of evidence, and review by key informants.

Of greater concern in this study was whether constructs, such as national culture or perceptions of management control, were validly interpreted from the available data. That is to say, whether sufficient indirect data was collected as evidence and validly interpreted to support a variable that could not be measured directly. Concern was more with whether the network of supporting data and propositions are explicit (Cronbach and Meehl, 1955) and the research audience is likely to judge the

interpretation as valid, rather than with reporting an audit trail of the chain of evidence (Yin, 1994).

Fit of categories to data (item 1 of Table 3.1 and items 'a' and 'b' of Table 3.3):

Grounding of theory in the research data is a central feature of grounded theory. The data is organised into categories (i.e. groups of concepts that are seen as important to the emerging hypotheses and theory), which in turn are related to each other in the theory generation. How well this interpretation and data analysis is done, is an issue of validity.

Cause & effect (item 2 of Table 3.2):

Relationships of cause and effect are the essence of Strauss & Corbin's (1990) 'paradigm model'¹⁶, and it plays a central part in their 'conditional/consequential matrix' (Strauss and Corbin, 1998). The word 'effect' is included in the research question. How to identify and verify causal relationships were considered in this study, such as what categories are caused by which contextual factors, and whether apparent relationships might be caused by further extraneous variables.

Yin (1994) uses the term 'internal validity' in the sense of valid cause and effect relationships, although validity in distinction to generalizability or 'external validity' is given a wider meaning here including such criteria as construct, fit of categories to data etc. He excludes considerations of valid causal relations from exploratory case studies. This seems strange, particularly if the exclusion is extended to grounded theory case studies which by their nature would be exploratory. Much of Strauss and Corbin's (1990 and 1998) discussion of axial and selective coding is concerned with identifying and validating relationships, including causal relationships, between categories. It may be that Yin's exclusion of concern for validity of causal relationships stems from him distinguishing exploratory from 'causal studies'. Unfortunately he does not appear to explain this distinction.

¹⁶ Strauss and Corbin in the second edition of *Basics of Qualitative Research* (1998) term this model simply as 'the paradigm'. Because this terminology could cause confusion here with paradigm as used by Burrell and Morgan (1979), their original term 'paradigm model' is retained.

It may be doubted whether ideographic methods can demonstrate causes and effects other than to describe those that appear in the minds of people studied. However, it seems much more likely that cultural and other contextual factors affect perceptions of management control, than that perceptions of management control affect these factors. Indeed, there is support for this direction of causation in cultural theory that describes cultural assumptions and values affecting perceptions (Stenning, 1979; Schneider, 1988; Adler, 1991; Schein, 1992). This direction of causation is also indicated in literature on organisational theory (Child 1981, page 348, Figure 1), and institutional theory of management control (Whitley, 1999). At this stage of exploratory research, the possibility is not denied of control perceptions affecting organisational and functional culture or other factors such as markets and regulatory agencies. Indeed such possibilities are recognised and discussed in the substantive theory (*14.4 Context of perception of management control*).

Therefore, while it is recognised here that much care is needed in inferring the causal direction of relationships, concern for validity is focused on validating the existence rather than the direction of relationships between categories or concepts.

Sampling:

Strauss and Corbin (1998) include as a criterion (item 1 in Table 3.3) how the original samples are chosen before data collection starts. These might, for example, be based on the research question and on knowledge derived from literature or experience.

Strauss and Corbin also include theoretical sampling once the study is underway as a criterion (item 4 in Table 3.3). Because theoretical sampling is driven by interpretation of existing data, it is as much an issue of validity as of reliability.

Basis and testing of hypotheses:

Important criteria for Strauss and Corbin (1998) are the basis for emerging hypotheses, how these are tested, whether hypotheses were rejected and what the implication of these rejections are for the emerging grounded theory. Reporting some of the more important of these allows the research audience to judge the process and resulting grounded theory. In particular, readers may wish to consider

the basis for selecting the 'core category'; this encapsulates the central phenomenon that the theory explains. (items 5, 6 and 7 in Table 3.3).

Rejection of hypotheses and negative case analysis plays an important part in grounded theory:

"A key consideration in theoretical sampling is so-called 'negative case analysis'. This parallels the Popperian strategy of ingeniously seeking wherever possible to falsify working hypotheses derived from the emerging model ... However, in the Popperian account of this strategy, the end goal would be the logical corroboration of existing theory by failure to falsify. This contrasts sharply with the goal of negative case analysis in qualitative research, which is to aid in the generation of conceptually dense, grounded theory. ... it serves as a device for challenging initial assumptions and categories, and for modifying and elaborating theory where necessary" (Henwood and Pigeon, 1992, page 107; also Pigeon, 1996).

Research process:

As is probably clear by now, Strauss and Corbin (1998) see the process by which a study is conducted as a key criterion. This should not suggest that adherence to research procedures alone constitutes a criteria for good research (Smith, 1990). Rather, by reviewing key aspects of the process, including items 2 and 3 of Table 3.3, the research audience is able to judge whether interpretation by the researcher is credible, whether the findings are valid.

4. Generalizability

Generalizability is rigour in taking findings from a research study forward to inform, explain or predict in wider fields of debate or application.

There are two aspects of generalizability for grounded theory and case study research, first, whether the findings generate, indicate or support a theory that explains phenomena, and, second, the extent that the findings or theory can be transferred to other situations as explanation of the phenomena.

Generalizability to theory:

Yin considers this first aspect when he discusses analytical generalisation, in which “the investigator is striving to generalize a particular set of results to some broader theory” (1994, page 36; also Kvale, 1996). Generalisation to theory is the essence of grounded theory research. The quality of that theory is included in items 2 and 4 of Table 3.1 and items ‘c’ ‘f’ and ‘g’ of Table 3.3 above.

Transferability to situations:

Transferring case study results to a situation similar to that studied, or a grounded theory to situations indicated by that theory, are not the same as the logic, typical of positivist epistemology, of expecting all of a population to follow universal laws. Kvale (1996) points out that in physical science it is commonly the researcher who argues for the generality of his or her findings. In contrast, in law and medicine it is the judge or clinician who judges, using ‘assertational’ logic rather than statistical inference, whether a previous case is sufficiently analogous to be used as a precedent.

“In both cases it is paramount that sufficient evidence is provided by the researcher for the analytical generalizations to be made” (ibid., page 234).

Transferability is the concern of item 3 in Table 3.1. Building variety and breadth into the grounded theory, so that it can be applied to a variety of situations, is referred to in items ‘d’ and ‘e’ in Table 3.3. If this variety and breadth are reported, the audience can judge where the theory may be transferred to (Strauss and Corbin, 1998).

5. Ethics and Practicalities

While generally omitted from criteria for good research in the literature (an exception is Hammersley, 1992), ethics and practicalities were very much part of the criteria that guided the design and execution of the present study. The following were a necessary counterbalance to the desire for unconstrained perfection.

Researcher’s skills, knowledge and experience:

Theoretical sensitivity gives a researcher insight necessary for grounded theory research. The research was designed to take advantage of the researcher’s previous

work and cultural experience, which were initial foundations for his theoretical sensitivity.

Available time:

Covaleski and Dirsmith (1990) point out that qualitative research tends to be time intensive. Funding limited the time that could be spent in the field for this study, and in particular the time abroad. Furthermore the researcher was concerned that support from his family might be jeopardised by extensive periods away from home.

It was felt that companies giving access for the study would be less interested in a lengthy delay in seeing the findings, while changes in staff and senior management might jeopardise continuity of a lengthy study.

Access:

Access was a major consideration. Firstly, there was a need for companies to give access for the fieldwork. Secondly, interest by senior management and their support in terms of giving time, being candid and encouraging their staff to do the same, were all critical. Thirdly, access to particular interviewees was constrained by who met theoretical sampling criteria, were available given their and the researcher's travel schedules, and who could spare some time to the research. Finally, awareness grew that rapport between the researcher and interviewees was critical, so that sufficient trust could be built for an open discussion of views and attitudes.

Ethics:

Ethics were of concern to the researcher (Easterby-Smith et al., 1991). They were a matter of personal integrity. Ethical considerations were also important to building and maintaining trust with both companies that gave access for the research and the many interviewees.

To these ends a number of protocols were worked out and maintained by the researcher. Maintenance of these protocols continues through writing up and beyond completion of this study. These seek to preserve principles, which include the following. Firstly, the companies giving access for the research are to remain anonymous, as this was a condition for the access. Secondly, anonymity of the respondents and interviewees are to be kept. Confidentiality of who said what in

interviews can therefore be maintained while allowing much from these to be reporting and quoted. Thirdly, the research study and role of the researcher were explained during the fieldwork to all respondents and interviewees so that they knew that their views and opinions would become data in the study. Fourthly, the perspectives of people researched are to be respected. Therefore each view given is accepted as appropriate in that person's particular circumstance and cultural and social context.

3.6 A caveat

It would probably be a mistake for researchers to try to follow these criteria rigidly or for evaluators to expect all grounded theory case studies to meet them exactly as described here. There are a number of reasons for this.

3.6.1 Planning for research

Grounded theory research precludes keeping to a rigid research plan of what is to be researched, where and with whom. This applies also to planning for reliability and validity. Patterns emerging from the data may stimulate new perspectives. Even the research purposes may be open to change. Therefore, where criteria guide a research design, they have to be flexible until the research is complete.

3.6.2 Suppressing awareness

Kvale warns (1989, page 90) that:

"A modern legitimization mania and preoccupation with verification may, in its turn, further (lead to) a corrosion of validity – the more one validates, the greater the need for further validation. The quest for certainty may entail a sceptical attitude, which by continually asking for valid proof may further enhance the sceptical attitude."

This is an example of how search for validity can close researchers' awareness both to findings and to research processes. It can occur at two levels. First, concerns with rigour may be seen as reducing limited time, resources and intellectual energy available to a study. The second level is one of learning, whether it is of single or double loop.

3.6.3 Learning in research

Research is a learning process. Scepticism may discourage generation of new ideas and trying out novel methods. It may trap research into single loop learning of repeating well tried formulae for discovery and verification. Covaliski and Dirsmith (1990) put the case for double loop learning in qualitative research, that is learning by researchers about how they learn. Besides trying new research methods, they argue for trying new and competing perspectives. As has been shown here, criteria for research rigour depend upon methodologies and underlying assumptions. New perspectives can lead to new assumptions; these may dictate fresh criteria.

3.7 Conclusion on methodology

This chapter has sketched out the methodological considerations that guided this research study. Showing the assumption about ontological, human nature and epistemology, on which the methodological considerations were based, meets the call of Morgan and Smircich (1980, page 499) for researchers to be “more explicit about the nature of the beliefs that they bring to their subject of study.” These considerations have shown why a middle range methodology was chosen for the research question and research objectives. It has also been shown how this methodology, with epistemological and ontological assumptions, indicated a set of criteria for rigorous research that guided the design of the fieldwork and writing up.

Although it was stated here that grounded theory was chosen for the methodology, the choice has not yet been fully explained. This is the subject of the next chapter, which takes a rather more, although not entirely, chronological view of how the study unfolded.

This admits to some circularity of logic. It has been argued that methodological choices, with related epistemological and ontological assumptions, dictate criteria. Yet these criteria guided design of the research including choice of methodology. But the way the study developed was circular, rather than following a neat linear sequence. Initial ideas on how to do the research and meet the research objectives developed at the same time as thoughts on how it could be done rigorously. During this time, the researcher also examined assumptions of human nature, ontology and epistemology that might underpin the research question and objectives. At this early

stage of the study, each of these three areas of thought developed from and fed into each other.

The ontological and epistemological assumptions, which indicated a middle range methodology, reached a conclusion, more or less as reported here, before the fieldwork planning commenced in earnest. At this stage the choice of grounded theory as a methodology was finalised. As will be explained in the next chapter, the fieldwork design developed as it took place, developing from an initial plan. The criteria were the slowest area to develop, emerging as they guided the study. What is reported in this chapter is a retrospective rationalisation of the considerations for rigorous research that guided the fieldwork, data collection and analysis.

CHAPTER 4. RESEARCH METHODS

This chapter explains what was done for the fieldwork and analysis of this research, and why it was done. Reference is made to the evaluative criteria set out in the previous chapter, because these were implicit in the decisions made from the initial design of the fieldwork to completion of analysis. They are set out in Table 4.1. These references also show how the study design, data collection and analysis addressed the criteria from the stance of a middle range methodology, and how the 5 criteria (Purposes and perspectives, Reliability, Validity, Generalizability and Practicalities¹⁷) were relevant to each of the four stages

Table 4.1 illustrates how the fieldwork and analysis fell logically, and to a large extent chronologically, into four stages in which research decisions were made, namely: methodology and method, design, fieldwork, and initial reporting.

4.1 Methodology and choice of method

4.1.1 Research question and purposes

The researcher had a research question (*1.1 The Research Question*) that changed little during the study. It developed from the start of the study in 1995 up to early 1997 principally in clarification and terminology, and in emphasis away from definition of management control towards perception of management control. There was little change in the purpose for this research (*1.5 Research purpose*), of helping managers, who are working across national cultures, to achieve objectives for their organisation. This put the research firmly within Burrell and Morgan's (1979) sociology of regulation (see Figure 3.1). The academic community was also seen as among the audience.

The research question and purpose set the direction for all that followed in terms of what was researched, why and for whom. It was a first step towards meeting the 'Purposes and Perspectives' criterion, as shown in Table 4.1.

¹⁷ The criterion of Ethics is dropped from Table 4.1 because it was a consideration in every stage of the study.

4.1.2 Interpretive paradigm

DECISION	PURPOSE & PERSPECTIVES	RELIABILITY	VALIDITY	GENERALIZ-ABILITY	PRACTICAL -ITIES
1. METHODOLOGY & METHOD:					
Research question and objectives	Y				
Interpretive paradigm		Y	Y	X	Y
Grounded theory : Strauss version	Y	Y	Y	Y	Y
Exploratory case study		Y	Y	Y	
2. DESIGN:					
Pilot study		Y	Y		Y
Two MNCs and three national cultures	Y		Y	Y	X
Recording the research process and data		Y	Y		Y
Multiple data sources & tests		Y	Y		X
Breadth, time and plan	Y		Y		Y
3. FIELDWORK & ANALYSIS:					
Who was studied	Y		Y	Y	X
Alternate data collection & analysis		Y	Y		Y
3.1. Open coding:					
Categories used by each respondent	Y	Y			
3.2. Axial coding:					
Diagrams	Y	Y	Y		
Cultural patterns in data and statistical test			Y		
3. Selective coding:					
What is the core category	Y			Y	Y
Relationships & context			Y	Y	
Depth of support, alternative explanations	Y	Y	Y		
Understanding, back to purpose	Y				
4. INITIAL REPORTING:					
Do audiences buy findings	Y	Y	Y	Y	

Table 4.1 Decisions and criteria in the study ('Y' indicates that the decision helped meet the criterion, 'X' that it made the criterion more difficult to meet)

Management control was defined (*1.2 Management control and control assurance*) for the research question as a subjective construct in terms of providing assurance of achieving objectives. The criterion of construct validity therefore pointed to an ideographic methodology within the interpretive paradigm, as did framing the research question in terms of perception.

Choice of the interpretive paradigm also helped reliability. It reduced any need to base the research on prior, perhaps culturally bound, theory, which could introduce cultural bias (Redding and Martyn-Johns, 1979). It also pointed away from a survey of control perceptions. Because it was not clear what perceptions might be held in different national cultures, a survey would probably have introduced instrument bias. There would also have been the difficulties of designing a survey instrument that was functionally equivalent in each culture (Adler, 1983).

At this initial stage of the study, it was thought that achievement of the research purpose of helping managers would ultimately require a predictive theory, and hence objectivist nomothetic methodology. A decision to postpone nomothetic research to a later study greatly increased practicalities of completing the study within the time available. However, this flagged that any generalisation to a predictive theory might have to be postponed to later research, as indicated by a 'X' in Table 4.1.

4.1.3 Grounded theory and case study

The purpose of helping managers pointed to generating a theory that they could take with them into multi-cultural fields of work. A theory, as a simple conceptualisation of real life complexities, might be easier for practical people to use, than say a volume of descriptive text. Grounded theory was therefore chosen from among interpretive methodologies.

The context of different national cultures and of social, economic and organisational environment was expected to be relevant, because this might affect managers' perceptions of management control. Case study methods were therefore identified as a means to recognise the holistic context of the subject of inquiry. For example, because culture is learned and national culture tends to be learned early in childhood (Hofstede, 1991), institutions of school and pre-school education, were seen as potentially relevant to the study.

Both Strauss and Corbin (1998) and Yin (1994) provide a number of techniques that enhance the reliability and validity of interpretive research. They also offer transferability of findings, that is generalizability of findings to some other situations. These are described below as particular decisions in the study design and fieldwork.

It was explained above (3.3 *Grounded theory case study as a middle range approach*), why the Strauss rather than Glaser version of grounded theory research was chosen.

4.2 Design

With the main methodological choices made, and a grounded theory case study method selected, design of the fieldwork began to take shape. This section describes the main activities and considerations that shaped the design, relates them to the criteria in Table 4.1, and in a few cases illustrates them with examples of how they were reflected in the fieldwork and analysis.

4.2.1 Pilot study

A pilot study was done in order to experiment with, and to practice, techniques for the main fieldwork. It therefore addressed the researcher's anxieties about his interview technique, how interviewees might react to this when asked to expose their opinions, and how these opinions might be analysed. It gave valuable information that guided design of the main study. 13 people were interviewed in English on their views of management control. They were from the UK, China, Malaysia, Romania, Hungary and Portugal. Selection criteria were not a major concern, because the purpose of this pilot study concerned research techniques rather than substantive findings towards the research question of the main study. They were chosen from contacts of different nationalities, who were readily available within Central Scotland and who were expected to be able to give some views on management control.

The pilot study forcibly demonstrated the time required for transcription and coding of interviews. Tracking this time also showed how it reduced as a learning curve was ascended of familiarity with the research techniques.

NUD.IST™ software was used throughout the pilot study, as it offered advantages of systematic tracking what concepts appeared where in the data, and of how these may be summarised and related in categories. Despite this promising start, use of the software halted early in the main study because of the time burden it imposed. Maintaining codes and structures of codes in the software took time, which appeared to increase with the complexity of data as the number of categories, relationships between them and interviewees increased. Because adding new codes to transcripts already coded in the system was found to be time consuming, the system encouraged

the researcher to code all that appeared potentially relevant on first input of a transcript. This however discouraged recognition of new categories in subsequent interviews. Instead concepts and categories were captured manually by annotating interview transcripts, and in field notes, diagrams and spreadsheet tabulations. A more flexible approach was therefore taken than that encouraged by use of NUD.IST™.

Experimentation with diagram formats commenced in the pilot study. Each of these, drawn for an interview, related concepts in a picture of management control.

English language questionnaires for measuring national culture were tried. These tested both the reactions of interviewees and techniques for interpreting the results.

Listening to pilot study interview tapes allowed reflection on the reflexive nature of the research process, and in particular on bias from the researcher introducing subjects for discussion. From this it was decided that, for the main fieldwork, the researcher would introduce only subjects that had already been raised by that or other interviewees. Wherever possible, discussion would be driven by what the particular interviewee saw as important to management control.

Another researcher, working in the related management control field of international transfer pricing, coded one of the pilot study interviews in order to check on the reliability of this researcher's coding. No significant differences emerged.

The pilot study therefore increased the researcher's experience and confidence both in the techniques used and in interpretation of research data. It thus, as indicated in Table 4.1, gave some comfort as to reliability and validity. It also facilitated practicalities of planning by showing how long tasks could take.

4.2.2 Enhancing cultural sensitivity

Sensitivity to Czech thinking, as well as enhancing that for Chinese thinking, was sought through reading literature, history and current affairs (Child, 1981; Harrison and McKinnon, 1999). Considerable further theoretical sensitivity was gained through the process of doing fieldwork.

4.2.3 The organisations and area of control

Selection of organisations, for whom respondents work, was primarily decided on the basis of what organisations would give access for the research. As will be shown here, the combination of these two organisations provided some advantages for this research in terms of multinationality and variety.

However, both organisations have asked to remain anonymous. They are therefore referred to here as CoX and CoY. As they are each a significant player in their field, their industries and markets must also remain confidential. Both of them have a turnover of several billions of US dollars, operate in many countries around the World, employ staff of many nationalities, and have had international operations for many decades. They can safely be described as well established multi-national enterprises or MNCs.

That more than one organisation should be studied was insisted on by one of them as a condition for granting access for the study. Their reasons were not made explicit, but appeared to arise from concerns both that a single company would be less representative for the research question, and that attempts to identify a company with any findings should be made more difficult. The other organisation agreed to give access for the study on the same basis as the first.

CoX supplies a range of products to industrial customers; it has a largely matrix organisation. Respondents selected from the CoX Sales function were responsible for a variety of products. This added variety, for example of relative unit margin and value per transaction, to the economic context of control issues discussed with them.

CoY provides corporate services and is organised by product service division. Although it provides a range of services, all of the CoY respondents were chosen from the same service division, which provides a relatively homogeneous service. In comparison to CoX, its finance function has a less significant role for management control, which is conducted to a greater extent within each service division.

It was felt that practical managers might have difficulty in articulating their views on all of management control relevant to their work. A specific area of management control was chosen to serve as a starting point for inquiries. The choice of area of management control was put to the two organisations. They suggested trade credit control. This appeared to offer advantages to the study. Control of credit extended

by suppliers of goods or services is of significant, if not crucial, importance to most businesses (Allen, 1997; Pike et al., 1998). It was thought likely to be susceptible to the culture of both those inside the organisation and their external customers, and thus potentially provide a twofold insight into national culture. Also, it was thought that both finance and marketing staff might be involved with credit control, and therefore views of managers from several functions might be available.

Agreeing access with CoX and CoY was the first sampling decision. As indicated in Table 4.1, it widened the perspectives that the study would draw on, the variety of businesses to which the grounded theory might be transferred, and the scope of managers who might find it potentially useful.

Furthermore, this offered greater construct validity for national culture. Patterns of perceptions could be compared between people from different national cultures to those from different organisations, and also different functions, seniority levels and genders. This allowed cultures of organisation, function, seniority and gender to be controlled for when inquiring into national culture. For example, similarities between perspectives of respondents from the same country, but working for different organisations, would give weight to an interpretation that these are characteristic of the national culture rather than of particular corporate cultures.

4.2.4 National cultures, locations and sites

The UK, the researcher's home country, was chosen as one location for the fieldwork, because it gave advantages of lower cost and less travel time.

Beijing was chosen as a location because of the wide contrast between Chinese and British cultures (Spence, 1990; Hofstede, 1991; Trompenaars and Hampden-Turner, 1997) and some familiarity of the researcher with its business environment, culture and language. Offers of access to further sites in China were turned down in order to economise on time and cost.

A third location was sought in order to provide a three way comparison between cultures, thus raising the research above criticisms of bicultural comparisons (Bond, 1996), while not sacrificing depth of research for breadth. The question of where the third location should be was put to CoX and CoY in order to heighten their interest and support to the fieldwork. They proposed Prague.

The three locations provided a comparison between a Northern European Anglo-Saxon culture, a Slav Central European culture, and an oriental Chinese culture. In addition, the political and economic environments vary from a long established democracy where a market economy is taken for granted, to a young democracy formed in 1989 that is grappling with the rapid introduction of its Western style market economy, to a Communist country introducing a socialist market economy (Jiang, 1997).

Both CoX and CoY have operations in the UK, Prague and Beijing, thus giving 6 sites at which the fieldwork was conducted. Variety between the 6 sites in terms differences between the 3 locations and 2 organisations, offered greater potential transferability of the findings, as indicated in Table 4.1.

A research plan suggested that studying managers in two companies and in three countries increased difficulties, but might be feasible. It indicated that a greater number of companies or countries would be unfeasible.

It was recognised that restricting research to one city in mainland China and one in the Czech Republic would introduce limitations for research inquiring into national cultures. Regional cultures within countries may vary. Managers located in these cities may be representative of neither the local regional culture, nor of the national culture for their country. Nevertheless research was restricted to these locations, firstly, because limits of time and expense limited the number of people and locations that could be included in the research. Secondly, representative samples of interviewees seemed unobtainable, because staff of 2 foreign MNCs may be expected to be unrepresentative of populations in any of the 3 countries. By the MNCs recruitment policies and insisting on English as a working language, their staff were selected as out of the ordinary. Yet this problem was not seen as jeopardising the research criteria because selection of representative samples was identified as incompatible with grounded theory research (see 3.4.2 *Grounded theory as a methodology and method* above; this is explored further in 4.3.2 *Selection of data sources*).

4.2.5 Recording the search process

Recommendations of Yin (1994) were followed for maintaining a case study database for the main field study (Slagmulder, 1987). It helped the practical

difficulties of filing and referencing more than 600 interview notes, transcriptions, diagrams, field notes and documents. It avoided sorting and resorting this material, with risk of its loss. The index to the case study database is in Appendix B. According to Yin (1994) this audit trail helps demonstrate reliability and validity, representing part of the 'chain of evidence' from data to findings. However, in this case confidentiality would prevent access to the underlying transcripts and documents.

Throughout the pilot and main field study, the researcher kept a personal journal of reflections on the research process (Henwood and Pigeon, 1992; Pigeon, 1996). It proved useful for noting impressions and interpretations at the end of each day. Both keeping the journal and occasionally reading it helped validity through review of the research process and of interpretation. This also helped reliability by guarding against undue researcher bias, as well as reflexive bias from the views and interests of managers potentially encouraging the research into narrow areas of inquiry. Therefore, maintaining a record of the research process in a case study database and research journal contributed to reliability, validity and practicalities of the study as indicated in Table 4.1.

4.2.6 Multiple data sources and tests

Multiple data sources were used as recommended by Yin (1994). Sources included numerous interviewees (discussed below in 4.3.3 *Who was studied*), observation of their behaviour, documents, email messages, computer systems, questionnaire responses, and business and national press. Academic literature was turned to at the end of the study in order to find further support or challenge for the findings. Reference to the literature may also facilitate communication of the findings to academic audiences, which is one of the purposes of this research.

Analysis of the data included the researcher's impressions and feel for the case. Secondly, this emerging understanding was tested in spreadsheets by comparing incidences of categories between national and other cultural groupings. Thirdly, findings were checked back to the data by referencing them to the case study database. Fourthly, non-parametric statistical tests were used to check the significance of these patterns within the data, and to check that other significant patterns had not been overlooked.

Culture was identified both qualitatively from interviews and observation and quantitatively in a survey.

This variety of data sources and tests represents within and between methods triangulation (Jick, 1979; Tschudi, 1989). It reduced the effect of researcher bias, and supported construct validity (Yin, 1994). It did however take considerable time, as indicated in Table 4.1.

4.2.7 Breadth, time and plan

Besides a plan for the whole study, a broad-brush plan was used for the main fieldwork (Yin, 1994; Slagmulder, 1997). The plan was not specific about which managers were to be interviewed, nor about the lines of inquiry after the opening questions. It did however schedule travel dates between locations and indicate by when the core category should be selected and selective coding should start.

The fieldwork of course departed from plan: it became apparent that all of the fieldwork in Beijing could be done in a single extended visit, instead of two visits, while more people were interviewed than planned. Reference to the plan showed the time implications of these departures. This helped guide the constant struggle between staying on track towards completion and checking emerging areas of interest, apparent variation in findings, and alternative explanations. These diversions from plan may have looked like a meandering walk; but the plan helped keep the research process, including validity, moving towards the research objectives and within constraints of what was practical, as indicated in Table 4.1.

4.3 Fieldwork

4.3.1 Sequence of study

The main fieldwork was conducted over the course of 6 months from August 1997 to January 1998. Two visits were made to Prague and one to Beijing; fieldwork in the UK was fitted around these trips, as shown in Table 4.2. The study is therefore predominantly cross-sectional rather than longitudinal.

<u>Dates: 1997 – 8</u>	<u>Location</u>	<u>Fieldwork activity</u>
19 Feb. - 19 Jun.	UK	Pilot study, while negotiating access
4 Aug. - 11 Sep.	UK	Interviewing, open and axial coding
12 Sep. - 9 Oct.	Prague	Interviewing, open and axial coding
10 Oct. - 16 Nov.	Beijing	Interviewing, open, axial and selective coding
17 Nov. - 4 Dec.	UK	Interviewing, open, axial and selective coding
5 Dec. - 20 Dec.	Prague	Interviewing, open, axial and selective coding
21 Dec. - 30 Jan.	UK	Interviewing, open, axial and selective coding

Table 4.2: Sequence of fieldwork

Although the logic of grounded theory research process is described as a logical sequence from open, through axial to selective coding, it is in practice iterative (Strauss and Corbin, 1990 and 1989). That these forms of coding were not sequential is seen in several aspects of this study. Firstly, open and axial coding continued while selective coding was in progress. Open coding continued with a few respondents into January 1998. Open sampling for open coding also continued to accumulate information on the cultural, social and economic context of the case study. Reporting of interim results in the summer of 1998 provided some corroboration for axial as well as selective coding.

Secondly, it has not been possible to identify whether a particular interview or particular data source was part of open sampling for open coding or relational and variation sampling for axial coding. Data collection for open coding merged with that for axial coding, because concepts brought up in interviews were very often immediately discussed in terms of relationships to other concepts and variation. Documents or other sources, that revealed new concepts, were produced in the course of interviews that otherwise concerned mostly relationships and variation in previously identified categories.

A key date was 2/11/97, during fieldwork in China, when the core category was chosen. In a sense this was the launch of selective coding, in which the grounded theory was developed by relating a number of key categories around the core category. This is reflected in Table 4.2. However, many of the data items used in selective coding had already been gathered, some even in the earliest days of the fieldwork. Much discriminate sampling for selective coding had already been done in identifying possible key categories and developing them in terms of relationships and variation between cultures.

Although the fieldwork did not fall sequentially into Strauss and Corbin's (1990 and 1998) open, axial and sequential coding, these are used here as logical types of work to explain the reasons for different types of data collection and analysis. As Strauss and Corbin explain at the beginning of their chapter on open coding (1998, page101):

"Breaking the analytic process down is an artificial but necessary task because analysts must understand the logic behind analysis."

In their earlier edition (Strauss and Corbin, 1990, page 58) they emphasised:

"Here we want to emphasize that the lines between each type of coding are artificial. The different types do not necessarily take place in stages. In a single coding session, you might quickly and without self-consciousness move between one form of coding and another".

4.3.2 Selection of data sources

Choice of an interpretive, predominantly qualitative, methodology points to in-depth investigation within a small population. Small samples are unlikely to be representative of wider populations, particularly if multiple and complex variables are to be studied. This has implications for validity and generalizability.

These issues are pronounced with grounded theory research. Theoretical sampling for grounded theory focuses on those concepts that are relevant to emerging ideas and thence to the evolving theory (Strauss and Corbin, 1990). Data are thus gathered to generate, extend and ultimately support or challenge an emerging grounded theory. Theoretical samples are typically at the edge of, or beyond, the scope of emerging knowledge. New situations are constantly compared to existing data. This contrasts with random or statistical samples that are representative in order to test the extent that an existing hypothesis is followed within a population (Eisenhardt, 1989; Hammersley, 1989; Scapens, 1990). Although Corbin and Strauss (1990) maintain that a grounded theory may implicitly give some degree of predictability within the specific type of conditions of the study, theoretical sampling, like analytical generalisation of case study research (Yin, 1994), is insufficient to support statistical inference.

Variety among interviewees was therefore seen as important so as to ensure that the study inquired into a wide spread of perspectives of management control. Variety of

perspectives at the beginning of fieldwork in each location was sought in order to guard against the study heading off down a single narrow avenue of inquiry.

Accordingly, from the outset organisations, people and other data sources were selected in this study not for being random or representative of wider populations, but where possible for the potential variations and insight that they may offer. The requirement to include two organisations in the study provided an opportunity for variety. This variety was enhanced by them operating in different industries and the contrast between one of them supplying products and the other services. Further variety arose from differences in the market context for the different CoX products. Variety in the people selected as interviewees is discussed in the next section.

This variety, planned for the outset of the fieldwork, opened the way for theoretical sampling at each site to follow categories and hypotheses as they emerged from the data. Greater understanding of categories was sought in terms of variety in different contexts and relationships between them. For this relational and variational sampling, new interviewees, documents and other data sources were sought, or existing sources were returned to. Discriminate sampling for selective coding sought to fill gaps in knowledge of a range of key categories and their sub-categories and of a variety of different cultural contexts. It therefore looked for variety in this data; it also, in negative case analysis (Henwood and Pigeon, 1992), sought data that might challenge the emergent theory.

Besides variety *between* data sources, variety and increasing focus on categories of emerging hypotheses was also sought *within* data sources. Constraints limited what people were available for interview, when and for how long. Theoretical sampling made good use of limited time and availability, particularly after the core category was chosen on 2/11/97, by focusing interviews on key categories and emerging hypotheses.

A similar trend occurred with scanning English language local and business press. Initially these were read in order to gain a broad understanding of the social, economic and market context in each country. Although this continued throughout the field work and after, not least because of economic and political change, it gave increasing focus to emerging categories, such as attitudes to the rule of law.

Theoretical, rather than random or representative, sampling clearly puts the researcher's interpretation of the data central to selection of data sources. Researcher interpretation, with concomitant bias, is an essential part of interpretive research. While some reliance on the researcher's interpretation and theoretical sensitivity may be desirable, the potential for unavoidable researcher bias was recognised and monitored. This was done in various ways, for example by reviewing the research journal, by seeking interpretive views from interviewees and by checking findings with experienced international managers and at academic conferences.

4.3.3 Who was studied

The subjects or respondents of this study fall into 3 groups. There were 142 interviewees and 109 'survey respondents'. Included among these were 30 'axial respondents'. These sets of subjects are illustrated in a Venn diagram shown in Figure 4.1.

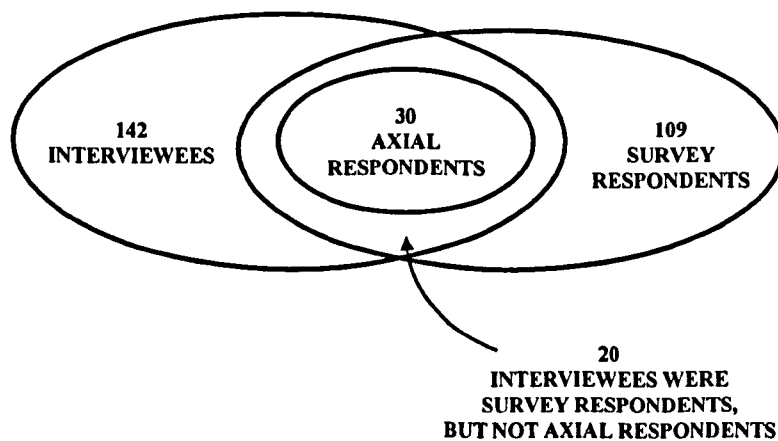


Figure 4.1: The 201 subjects in the study

With 20 interviewees being survey respondents but not axial respondents, there were a total of 201 ($142 + 109 - 30 - 20$) subjects in the study. The 142 interviewees, including the 30 axial respondents, are discussed in this section. The 109 survey

respondents are discussed later in the section on 4.3.7 *Axial coding - The cultural survey*.

The views of 142 interviewees were sought in this study. Their variety in national culture, location, gender, and employer organisation, is analysed in Table 4.3. This shows that 28 interviewees were from countries other than the UK, Czech Republic, or mainland China. They were expatriates who, from their experience of working in these 3 countries, had views that were sought in theoretical sampling for this study. These expatriates included 11 interviewees from Hong Kong, most of whom were located in Beijing. They provided views on both mainland Chinese and British perceptions of management control.

Location Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
					Male	Female	
UK: CoX CoY Other	26			4	23	7	65
	12		2	1	11	4	
	15	3	1	1	16	4	
Prague: CoX CoY Other	1	9			7	3	33
	3	8		3	10	4	
	3	5		1	8	1	
Beijing: CoX CoY Other	4		10	12	17	9	42
	1		6	3	5	5	
			4	2	4	2	
Elsewhere Other			1	1	2		2
TOTAL	65 =====	25 =====	24 =====	28 =====	103 =====	39 =====	142 =====

Table 4.3: The 142 Interviewees¹⁸

¹⁸ The national culture of interviewees was identified from the country where they were brought up as children. This was a question in the cultural survey (Appendix D, question 7). Most 'Czech' responses to this question was the 'Czech Republic', although a few replied 'Czechoslovakia'. No significant differences have been identified in survey responses between Czechs and 'Czechoslovaks', and one 'Czechoslovak' interviewee questioned on this denied there being any significant difference in outlook. Czechoslovakia was divided into the Czech Republic and Slovakia as recently as 1993. Consequently all Czechs and

Some interviewees were interviewed several times, others only once. Interviews typically lasted about 1 hour; many of them were over lunch. However a few lasted several hours, while some were short conversations in a taxi or corridor. A few were telephone conversations.

The views sought in this study centred on those of 30 mainland Chinese, Czech and British managers, employed by CoX and CoY in the 3 locations. They are included in the 142 interviewees. Their view on credit control¹⁹ as an example of management control was sought and confirmed with each of them. These views on control concepts and relationships between these concepts formed the foundation for axial coding. They are therefore referred to here as 'axial respondents', although views of each of them were also included in open and selective coding.

Concentration on the views of 30 axial respondents developed from the initial arrangements for around 3 interviews with each of a limited number of managers in order to gain their view of management control. Contact with a considerably larger number of managers for one or two interviews proved possible at each site. The relatively comprehensive view gained from each of the axial respondents proved a valuable source of data for selective as well as axial coding. Returning to them to expand on previous discussions saved on time needed to build rapport and a foundation of common understanding with new interviewees.

Variety among the 30 axial respondents was sought initially in terms of mainland Chinese, Czech and British national cultures, a roughly equal division between the numbers working for CoX and CoY at each location, both male and female managers, and different levels of seniority. Within CoX further variety was sought between Finance and Sales functions, and within CoX Sales function between responsibility for products having different characteristics of margin and transaction values. Initial selection criteria were also that managers were to be from the local

Czechoslovaks are henceforth referred to as Czech. 11 interviewees from Hong Kong are included among those of 'Other' national cultures.

¹⁹ In all cases this was trade credit control, apart from two axial respondents who chose to use other types of credit control as their example of management control. All of these examples are therefore henceforth simply referred to as 'credit control'.

national culture, and who were likely to have a variety of views on management control, had some responsibility related to credit, and were likely to be available for at least three interviews. Some matching of the axial respondents between sites and locations was also sought in terms of function, level of seniority, gender and, in the case of CoX Sales managers, the type of product they were responsible for. Their selection started from suggestions made by local CoX and CoY management from criteria given by the researcher. During the course of the fieldwork, the researcher made the final selection, rejecting several people and seeking further respondents at each location in order to achieve a better fit to the criteria and better match between sites and locations. Nevertheless, as shown in Table 4.4, the initial criteria could be only partially achieved; this was because of availability of suitable staff matching the criteria and of their pressures of work and travel.

Seniority level	British				Czech				mainland Chinese				Of which:		Total
	mtm	mm	su	ju	mtm	mm	su	ju	mtm	mm	su	ju	Male	Female	
UK:															
CoX	Finance	1	1	1									3		3
	Sales	1	2										2	1	3
CoY	Service	2	2								1		3	2	5
Prague:															
CoX	Finance	1				1		2					2	2	4
	Sales				3								3		3
CoY	Service					3	1						3	1	4
Beijing:															
CoX	Finance								1	1				2	2
	Sales								2				2		2
CoY	Service										4		2	2	4
TOTALS		<u>5</u>	<u>5</u>	<u>1</u>		<u>3</u>	<u>4</u>	<u>1</u>	<u>2</u>		<u>3</u>	<u>6</u>	<u>20</u>	<u>10</u>	<u>30</u>
Levels of seniority: mtm = Management Team member, mm = middle manager, su = supervisor, Ju = junior															

Table 4.4: The 30 axial respondents

During the course of the study, theoretical sampling introduced some further variety among the axial respondents, in order to challenge emergent patterns with negative case analysis (Henwood and Pigeon, 1992). Two expatriates were added to the axial respondents, as well as an older Czech manager with considerable management experience from the Communist era before 1989.

Further variety was added by extending theoretical sampling to the wider body of interviewees, despite the convenience of returning to axial respondents. The sequence of when data was gathered from axial respondents and other interviewees is

illustrated in Figure 4.2. This shows the number of interviewees that were involved in each sequential phase of the fieldwork. These phases correspond to work in each location, shown in Table 4.2, with work in Beijing divided into phases before and after selection of the core category on 2/11/97. The total number interviewed in each phase is also analysed between axial respondents, other interviewees whose views contributed only to open coding and other interviewees whose views contributed to selective coding²⁰.

Development of variety by theoretical sampling among interviewees is shown more clearly by identifying when the 142 interviewees were added as new interviewees to the study. It therefore removes double counting of interviewees who contributed to the study in more than one phase. This is illustrated in Figure 4.3. It shows, for example, how 48 (18 + 1 + 7 + 22) new interviewees were brought into the study after identification of the core category on 2/11/97, and that this included 16 interviewees who contributed to open coding, 3 axial respondents and 29 other interviewees whose views were used in the selective coding. Seeking variety of views among interviewees therefore continued throughout the fieldwork.

Besides seeking variety among axial respondents and other interviewees in terms of national culture, organisation, function, level of seniority and gender (Tables 4.3 and 4.4), views were sought wherever possible from people with outspoken rather than representative views. In this way, as indicated in Table 4.1, theoretical sampling led to a wide variety of perspectives. Reporting the extent of this variety may also help readers to judge how far the substantive grounded theory may be transferred to other situations.

Collection of views of people from different organisations, functions, levels of seniority and gender, as well as of national cultures, allowed comparison to be made between these groupings. Identifying where differences in views were more significant between managers from different countries, than when managers were sorted by other groupings, strengthened construct validity for national culture.

²⁰ Where other interviewees (i.e. interviewees who were not axial respondents) were involved in both selective coding and open coding, they are classified here as 'selective'.

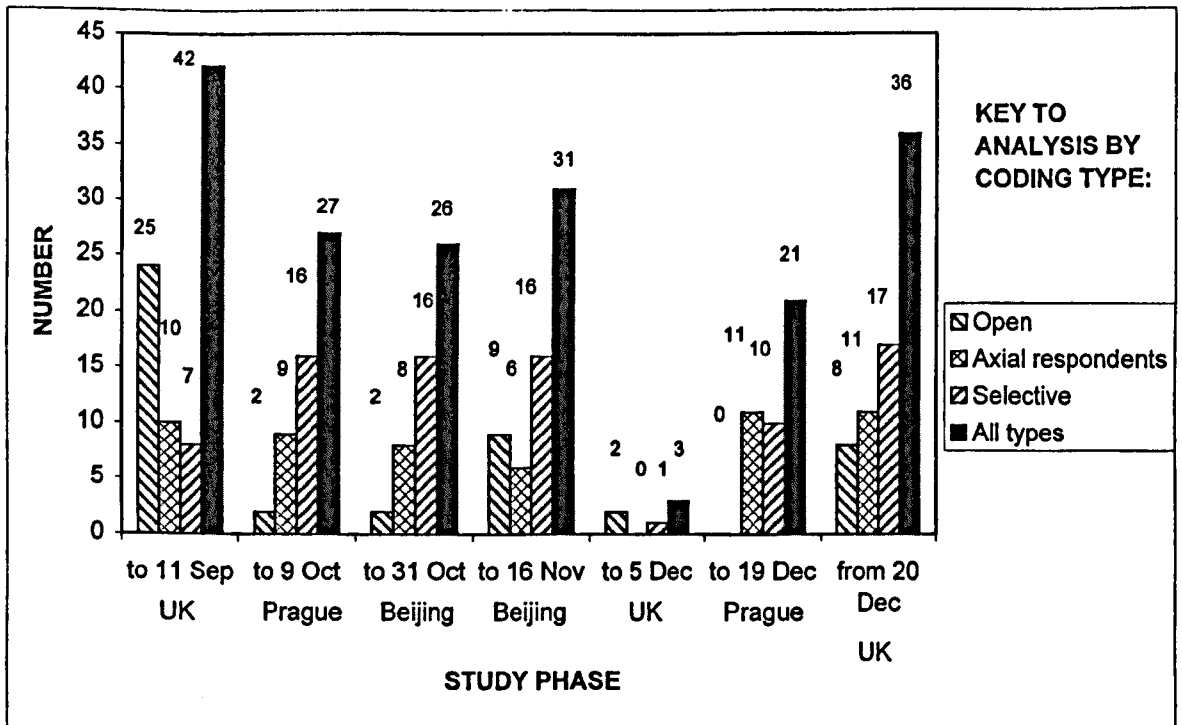


Figure 4.2: Interviewees by study phase and type of coding

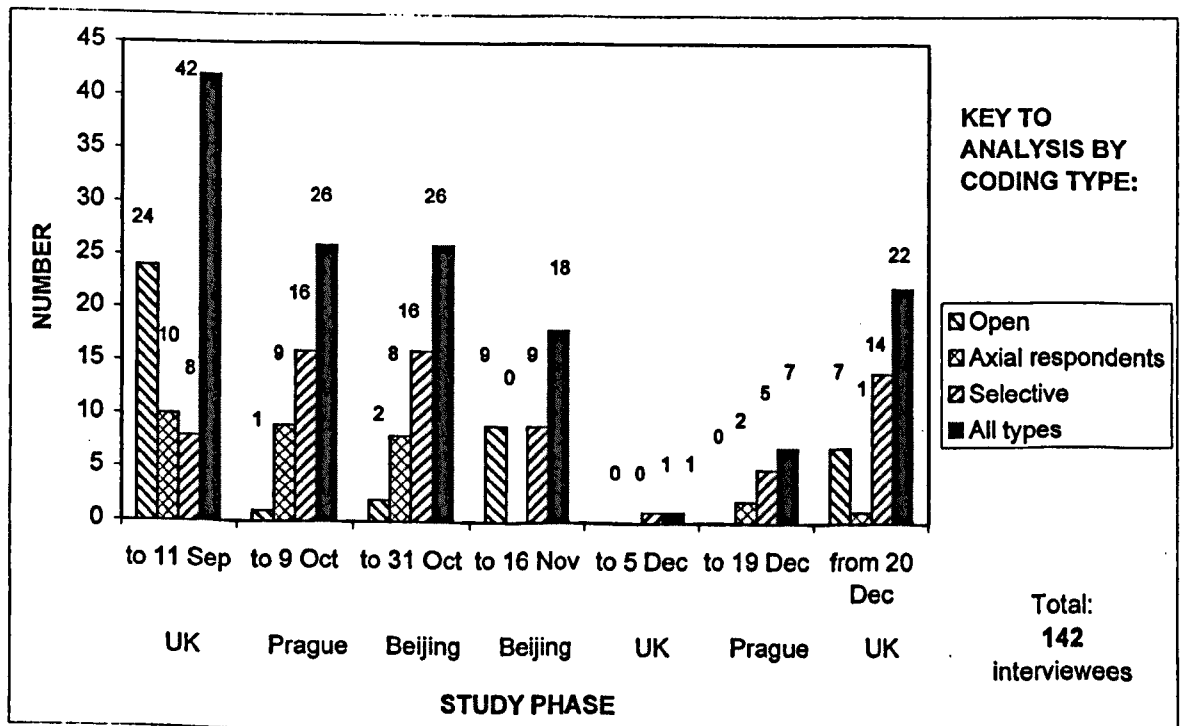


Figure 4.3: New interviewees by study phase and type of coding

However, there were a number of practical limitations with regard to whose views could be included in this study.

Because of the researcher's language limitations, interviews had to be conducted in English, in which all interviewees were proficient, and which is a working language of CoX and CoY in all 6 sites. However, there was some discussion of Chinese and Czech words and phrases. This allowed discussion with Chinese and Czech interviewees of deeper meanings and of cultural differences in attitudes and perceptions. Besides acting as a barrier to communication, language also restricted the choice of interviewees: it appeared that language was a restriction in only 1 of the 6 CoX and CoY sites, so this was a greater restriction on interviewees outside these organisations.

Capturing and confirming views of the 30 axial respondents took considerable time and constrained the number of respondents. A further practical constraint was the availability, because of workloads and travel schedules, of managers who met the sampling criteria.

For ethical reasons confidentiality of each interviewee is being maintained in terms of who gave which view. This restricts how much identity, such as in terms of organisation or function, can be given to holders of particular views when reporting findings.

4.3.4 Further data gathered

Besides talking to people, data was gathered from email messages, from CoX and CoY documents, reports, computer systems, policy statements and observation. External information, particularly from the business and national press, was gathered concerning local economic and institutional factors and attitudes to these factors. The sequence of when this further data was gathered is illustrated in Figure 4.4; this excludes field notes prepared by the researcher. The increase in collection of data for open coding near the end of the study was for contextual information.

Separation of other, i.e. non-interview data, into the 3 coding types of open, axial and selective, was messy. Data collected on the context of the case study for open coding, provided the context for axial respondents' views. Data collected during interviews with axial respondents, or collected to corroborate their views, contributed

also to the data on the context where they worked. Some of this data collected for axial coding was also used in selective coding. Therefore, non-interview data has been analysed here only into that used for open and axial coding and that used in axial and selective coding.

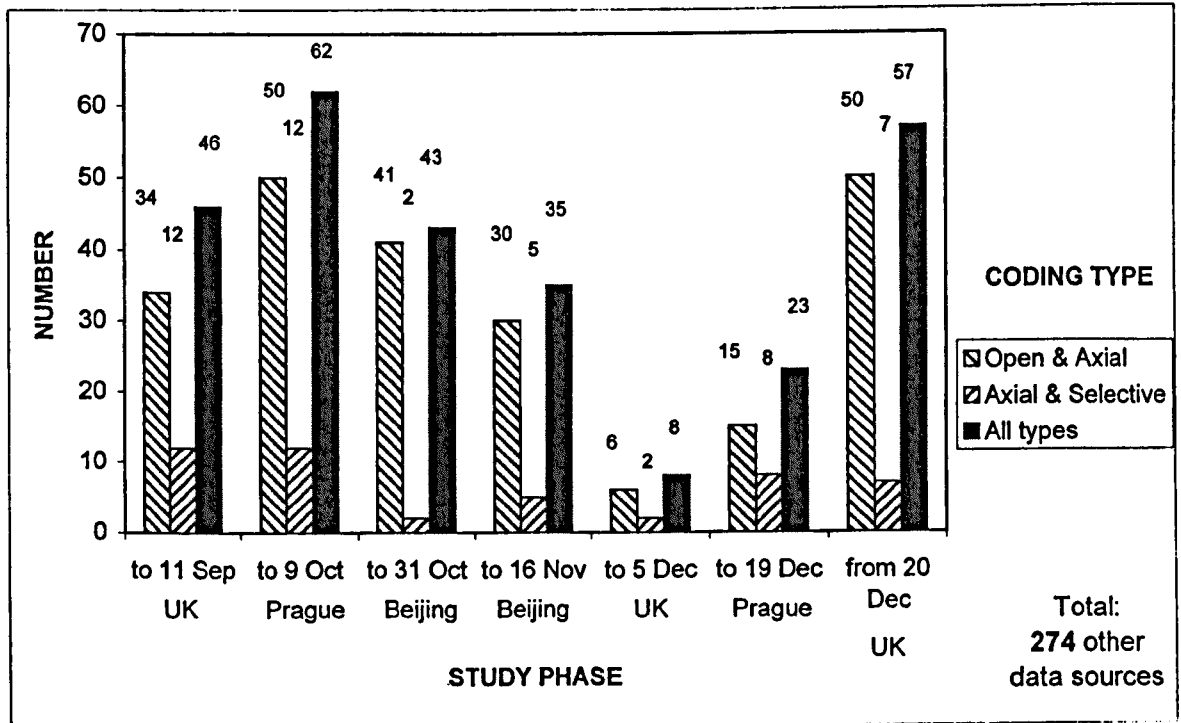


Figure 4.4: Other data by study phase and type of coding

In addition, quantitative data was gathered with a cultural survey in order to measure national cultures. This is discussed under *Axial coding: The cultural survey*, below.

4.3.5 Alternate data collection and analysis

Listening to and transcribing interview tapes shortly after the interviews proved valuable for reflection on the research process, interpretation and reliability, as indicated by Table 4.1. For example, respondent bias appeared from managers agreeing with what they may have thought was the researcher's opinion; it was countered by testing them with different opinions.

Another example was concern about construct validity, whether differences in perceptions might reflect factors of the location rather than national cultures. This was addressed by, *inter alia*, including views of expatriates in the analysis.

The nature of fieldwork among busy managers meant that interviewees had to be grabbed whenever they were available. This dictated practicalities of what could be

researched and when. Analysis of interviews within one, or at most a few days, allowed rapid follow up with further inquiry on particular categories. The researcher's prior experience as an auditor helped him both identify what in the data was pertinent and at the same time pursue research opportunities as they emerged. Both of these factors no doubt contributed to the speed with which an emerging theory was pursued in the field.

4.3.6 Open coding

The first few days in Prague and Beijing were spent in acclimatisation, making initial arrangements, and starting a routine of reading the local English language press. This was for familiarisation, or in Beijing re-familiarisation, with the social, economic and market context of the study.

The first interview with each of the 30 axial respondents in all 3 locations opened with introductions, confirmation of the objective and fieldwork process, and discussion of the respondent's work. Ground rules in terms of confidentiality were also discussed. After these preliminaries, the respondent was asked what, with respect to a specific area of credit control for which they have some involvement, he or she thought needs to be controlled and why, and how this might or should be done. After this initial line of enquiry, interviews were steered by the researcher into emerging areas of interest. Although discussion with each respondent started from a specific area of control, discussion progressed to management control in general.

The first interview with each of the 30 respondents was aimed at open coding. This identified what elements²¹ of control the respondent saw as being important to providing assurance for credit control. These elements included the business, market, economic and social context within which these views were held.

²¹ Control 'element' is used here as a generic term to include anything that was included in diagrams of respondents' perceptions of control. These elements included control objectives and action taken to achieve those objectives. Components of control were also included, such as accountability produced as a result of that action; these provided assurance towards achievement of the objectives. Control elements also included contextual factors or contingencies that were seen by axial respondents as affecting management control.

The researcher prepared for each interview, whether for open, axial or selective coding, a short list of key topics that he wished to be covered. Apart from the initial interview with each of the 30 axial respondents, these topics were selected on the basis of theoretical sampling from forward notes prepared during analysis of previous interviews. The researcher used these topics to steer conversation in the interviews, which were therefore semi-structured. However, he encouraged interviewees to speak about what they thought to be important and to introduce new perspectives into the discussion. The course of discussion in each interview was therefore shaped by the researcher's emerging theoretical sensitivity, the interviewee's perception of management control and his or her interest in the research.

While the researcher recognised that he inevitably identified what seemed pertinent according to his theoretical sensitivity, the aim was to capture the diverse perspectives of the research subjects. For this reason, the concepts and categories were at this stage labelled with the words used by the particular respondent. This helped retain a reliable link between the recorded concepts and perspectives of the interviewees, as indicated in Table 4.1. However, labelling open coding categories with interviewees' terminology precludes putting them in a consistent list: between the 30 axial respondents alone there were 1,400 open coding categories, among which there was considerable duplication. Identifying consistent categories across axial respondents was part of axial coding.

Appendix C describes 41 of these open coding categories, identified in interviews with 1 axial respondent.

4.3.7 Axial coding

Diagrams of categories, relationships and dimensions:

Diagrams were drawn for each axial respondent's view of credit control. An example of one of these diagrams is given in Appendix C. From this example, it can be seen how discussion moved considerably beyond controls concerned only with credit control to elements of wider management control.

These diagrams show cause and effect linkages between control elements. Diagrams were discussed, further developed where necessary and confirmed with each axial

respondent to ensure that they captured his or her view, rather than that of the researcher. This provided supporting 'respondent validation' (Silverman, 1993). Diagrams are supported with notes, taken directly from interview notes, to explain each control element. Axial respondents were invited to choose which of their control elements, if any, they saw as relatively more important, or even essential, to providing control assurance. This generated a dimension ranging from 'not mentioned' to 'essential'. Each of the 30 axial respondent's diagrams included between 27 and 83 control elements. This process of relating concepts and identifying dimensions for each axial respondent was the start of axial coding.

As indicated in Table 4.1, these diagrams with cause and effect linkages and confirmed through respondent validation, were a link in the chain of evidence, demonstrating validity of fit between categories and the perspectives of axial respondents. It helped guard against too much researcher bias. Each diagram is an embedded unit of analysis in the case study, upon which was built comparative analysis between these units.

Cultural patterns in the data:

A further step in the axial coding was tabulation and comparison of which of the 30 axial respondents mentioned or omitted a number of commonly mentioned control elements. These are termed categories, being groups of concepts (Strauss and Corbin, 1990) used by the axial respondents. Initial identification by the researcher of these patterns in categories started during the first visit to Prague. Part of an example of one of these spreadsheets, showing two categories of 'responsibility' and 'control environment', is shown in Table 4.5. These were sorted by national culture, organisation, job function, level of seniority, and gender, in order to help identify patterns.

Category group:						ORG/SOCIAL			ORG/SOCIAL		
Category:						Responsibility			Control Environment		
Respon- dent code	Org	Nat.Cult	Funct	Seniority	Sex		o/s/a/c	Level		o/s/a/c	Level
HLT	x	x	x	x	x	Responsibiliy	s	1.0	Atmosphere, co culture	s	1.0
JIMU	x	x	x	x	x	People feel accountable = resp	s	2.0	Atmosphere	s	2.0
LAHVI	x	x	x	x	x	Responsibility	s	1.0	-		
STONE	x	x	x	x	x	Clear resp for rptg rel	s	2.0	-		
YTZMF	x	x	x	x	x	Responsibility (face)	s	1.0	-		

Table 4.5: Example of part of a tabulation of axial categories²²

This comparison generated a continuing search for what distinguished perceptions by national culture, leading to clarification and weeding out of categories. The number of axial coding categories of control elements started at around 14, expanded to 45 and fell back to 23 (these final axial codes are listed in Table 6.2). The criterion for this qualitative selection and rejection was how well they explained patterns of differences in control perceptions between managers from different countries. This led onto induction of tentative findings, or hypotheses, of what distinguished these different patterns. The hypotheses were explored in the selective coding.

Examples of categories that were abandoned during the course of axial coding included 'control environment', 'professionalism', and 'system or process'. Some apparently promising concepts mentioned by axial respondents did not reach this stage of comparison because too few respondents thought them important to

²² 'o/s/a/c' refers to control objectives, state of control, control action and context, which was a classification of control elements used in diagrams developed with axial respondents (See Appendix C, for an example). This classification was dropped later in the course of axial coding, because it increased complexity without assisting identification of cultural patterns. 'Level' refers to a Likert scale for how important a control element was to the respondent; it ranged from 0 (not mentioned), through ½ (mentioned in a description of an element), 1 (element included in diagram as being important) and 2 (very important), to 3 (essential for providing control assurance).

management control²³. Examples of these were ‘humane control systems’, and ‘evolution of controls and procedures into increasing detail’. However several of these categories and concepts were at a later time brought back into selective coding. For example ‘system or process’ formed the basis for the key category discussed in *Chapter 12 Systems Logic*.

Statistical test of axial coding patterns:

The move from individual axial respondents’ views of credit control and terminology to comparison between respondents required using common categories and terminology. These were generated by the researcher, but based as far as possible on the control elements used by respondents and on their terminology.

Categories and their interrelationships were identified and developed by qualitative analysis. This started from a feel for the data that emerged during interviews and other data gathering, during transcribing interviews, when writing the research journal and field notes, or otherwise reflecting on the fieldwork. It developed from trying out patterns of similarities and differences between axial respondents’ use of common categories of control elements.

These patterns appeared to be complex. It was noted that no two managers had an identical view of management control. Patterns that appeared strongly between managers from different countries might reflect differences between organisations or sites. The researcher might have fallen into the ‘holistic fallacy’ of interpreting data as more patterned than it really was, or have been swayed by ‘elite bias’ of some articulate interviewees (Miles and Huberman, 1994). A check was therefore needed to see whether these qualitatively induced patterns did reflect greater differences between managers’ country of upbringing than between locations, organisations, functions, levels of seniority or gender.

Non-parametric statistical tests were used in order to validate (Strauss and Corbin, 1990) these patterns. This was generally the Kruskal-Wallis test. Where however, there were only 2 groups in a cultural grouping, such as CoX or CoY for cultural

²³ Here the protocol, of only introducing concepts to dialogue with an interviewee when it had already been referred to by another, allowed comparison between axial respondents.

grouping by MNC, the Mann-Whitney test was used. The latter is very similar to the Kruskal-Wallis test, but is designed for 2, rather than n , independent samples. Both of these tests are powerful statistical tests that use the ranking of ordinal data for deciding whether samples come from a homogenous population (Siegel and Castellan, 1988). For each grouping of managers, e.g. by country of upbringing or MNC etc., the null hypothesis was that managers who referred to a category came from a homogenous population. Where the null hypothesis was shown not to hold for a grouping such as country of upbringing, the test indicated that the pattern of views for that category was between managers from the different groups, in this example from different countries.

This provided between methods triangulation of emerging findings (Jick, 1979; Strauss and Corbin, 1990; Miles and Huberman, 1994). Non-parametric statistical tests were also used for analysis of the cultural survey results, which is explained in the next sub-section. Again the Kruskal-Wallis test was used in order to see whether significantly different opinions for each cultural dimension by respondents from different countries of upbringing.

It will be remembered that theoretical sampling in grounded theory research does not support statistical inferences from samples to wider populations in the wider world. This is because theoretical sampling does not select samples that are representative of the populations from which they are drawn. Therefore these statistical tests demonstrate attributes of the samples selected, but do not infer that they hold for the wider populations from which the samples are drawn.

Another way to consider this is to imagine 'logical populations' of which these theoretical samples are representative. To the extent that theoretical samples are exceptional rather than representative, so these logical populations differ from the real world. Statistical tests here provide inferences for what these logical populations might be like. Accordingly, a statistical test which shows at a 1% level of significance that a pattern represents differences by country of upbringing, infers that in the wider logical population there is less than a 1% chance that the pattern does not lie between managers of different countries. This sort of test may not meet the usual requirements of positive epistemology. It does however help validate tentative findings here where complexity of data raises dangers of misinterpreting patterns, for

example of mistaking patterns by organisational culture for patterns by national culture.

Cultural patterns are the next link in the research process from perceptions of axial respondents to hypotheses and the substantive theory. As indicated in Table 4.1, they contribute to the fit of the theory to the data. Validity of this fit is corroborated by the statistical test that they reflect patterns by country of upbringing rather than organisational culture, function, level of seniority or gender.

The cultural survey:

A cultural survey was conducted in order to analyse whether patterns of views on management control appearing between managers from the same country corresponded to dimensions of national culture. During the first visit to Prague, the researcher had a growing concern that uniqueness of each axial respondent's view, seen also among other interviewees, would lead to complex or indistinct relationships between these patterns and national culture. Correspondence between these patterns and cultural dimensions would strengthen the construct validity for national culture as an explanation.

Selection of the survey instrument depended upon which alternative dimensions of culture were to be measured. Hofstede's dimensions (1984, 1991) are the most widely followed in management control literature (Harrison and McKinnon, 1999). This offers both the advantage of comparability with other studies, and a disadvantage of being locked into a uniform way of seeing culture.

Schwartz' scheme, like Trompenaars', is based on cultural theory of value types (Schwartz and Sagiv, 1995; Smith, Dugan and Trompenaars, 1996). In contrast, Hofstede's instrument (1984) was designed for management purposes of IBM, rather than for measuring culture. Schwartz' scheme is particularly strong in terms of reliability as well as representativeness (Morris et al., 1998). However, it was not immediately apparent how any of his 10 value types apply to management control.

Problems arise from applying Hofstede's Uncertainty Avoidance (UAI) dimension in oriental cultures (Hofstede and Bond, 1988; Harrison et al., 1994; Smith et al., 1996) and in operationalising his Confucian dynamism dimension (Harrison et al., 1994). Concerns have also been raised about relying overly on Hofstede's cultural

dimensions and instrument (Lau et al., 1997). Trompenaars' work (1993 and Trompenaars and Hampden-Turner, 1997) offers a broader spectrum of dimensions through which national culture can be viewed. Initial analysis showed that while all 5 of Hofstede's dimensions are potentially relevant to issues of management control, 6 of Trompenaars' dimensions are potentially relevant, and that all of these could be operationalised. Furthermore, the pilot study showed that calculation of index numbers from Hofstede's instrument gave less meaningful scores for individuals than did Trompenaars' instrument. Hofstede (1984) constructs his indices from responses by samples of respondents; they are not intended to be measures for individuals. Constructing a measure of cultural attributes for an individual from Hofstede's instrument is problematical. His indices for Power Distance and Uncertainty Avoidance are constructed from averaging positive, and in some cases negative, scores for questions measured on dissimilar scales. Algorithms that combine positive and negative scores amplify the effect of omitted or outlying responses on an individual's index. Indices for Individualism and Masculinity are constructed from a factor analysis, for which it is not clear how an equivalent measure could be constructed for individuals. In contrast, a simple index for each survey respondent was constructed for Trompenaars' indices, using responses to one or more questions measured generally on the same scale²⁴. Therefore responses to each question used for an index, had the same weight, which reduced rather than amplified the effect of omissions and outliers.

The cultural questionnaire (Appendix D) was based upon Trompenaars' instrument, which has been well tried in his research (Trompenaars and Hampden-Turner, 1997). Only an English language version was used, and care was taken to ensure that all

²⁴ Exceptions were indices constructed for Locus of Control, which weighted responses to questions 26 to 30 in the questionnaire (Appendix D) slightly differently, although no change of sign was applied to these questions. Excluding the results of 1 question appeared to have no greater effect on results for Internal Locus of Control than it did for other dimensions, such as Individualism. Excluding the results of 1 question however had a greater effect on results for Locus of Control by Chance or for Locus of Control by more Powerful Others; this was because they depended on results of just questions 29 and 30 which had unequal weighting.

survey respondents had a working proficiency in English. The instrument was shortened in order to reduce the time needed for busy managers to complete it. This was done by excluding the number of questions for many dimensions, and by excluding questions on his Affective or Neutral dimension which did not appear to relate to management control. A further adaptation of his instrument was the addition of questions 29 and 30 in order, following Levenson (Kauffman et al., 1995), to divide the dimension of External Locus of Control into Locus of Control by Chance and Locus of Control by more Powerful Others.

The survey was given by the researcher to axial respondents. During the visit to Beijing, he gave it also to some other interviewees for them to complete and further copies for them to distribute to their staff. This was repeated in Prague and the UK. Survey respondents were asked to complete the questionnaire anonymously and to return it in a sealed envelope to the researcher via a central contact person for each site.

It was completed by 109 survey respondents, including all of the 30 axial respondents and 20 of the other interviewees (illustrated in Figure 4.1). These are analysed in Table 4.6.

Country of upbringing, i.e. national culture:	<u>British</u>	<u>Czech</u>	<u>mainland Chinese</u>	<u>Other</u>	<u>TOTAL</u>
CoX	18	16	12	2	48
CoY	15	16	19	1	51
Other	3	2	5	0	10
Total	<u>36</u>	<u>34</u>	<u>36</u>	<u>3</u>	<u>109</u>
of which:					
Male	21	19	13	3	56
Female	15	15	23	0	53
Seniority levels:					
Management Team member	8	6	1	1	16
Middle manager	11	8	6	1	26
Supervisor	7	10	12	1	30
Junior	8	10	17	0	35
Not disclosed	2	0	0	0	2

Table 4.6: The 109 survey respondents

4.3.8 Selective coding

The story line and core category:

Attention turned to selective coding (Strauss and Corbin, 1990) from 2/11/97 in Beijing, when the researcher chose the core category around which the substantive theory was then built.

Selection of the core category was a dilemma. A narrow category would give the study more focus on, for example, one aspect of gaining control. A number of hypotheses were emerging, each of which distinguished the three nationalities of managers in their perceptions of management control. For example accountability and responsibility were found to have different meanings that appeared to be culturally related. This was seriously considered for the core concept. However, reflection on the research purpose, and on the breadth of differences in perceptions of management control, led back to the research question. It was anticipated that a broad approach would generate a grounded theory of wide interest to research audiences, and potentially transferable to many situations. Furthermore, the time planned for data collection was already 60% spent, and only 2 weeks remained for selective coding in Beijing. During this time work was still required to collect further data on the case study context in Beijing (open coding) and to complete axial coding with axial respondents. It seemed rash to discard the bulk of collected data for greater depth of research in a narrow area, which would have required a renewed start of open and axial coding. The choice was for the broad core category of

'differences between national cultures in gaining control assurance'.

The story line for this grounded theory research is:

'Differences appear between mainland Chinese, Czech and British managers in how they gain assurance that management control objectives will be achieved. That is to say, they differ in how they gain management comfort that their business is going in the right direction and disasters will be avoided. These differences are represented in their perceptions of management control. It appears that these differences are related to their different national cultures among other contextual factors'.

Around the core category are centred a number of key categories that identify key differences in how these managers from different national cultures gain control

assurance. The number of key categories varied around 6 during the course of selective coding. The final list of key categories and their sub-categories are listed in Appendix E. Initial identification of the story line and of core and key categories led to more extensive inquiries with the axial respondents and other interviewees on these points. While much of the axial coding was based on perceptions of credit control, the selective coding was concerned with management control in general; references to examples of credit control became relatively scarce as discussion focused on the key categories and their sub-categories.

Therefore, as indicated in Table 4.1, choice of the core category was swayed by criteria of addressing perspectives of international managers among the research audience and the potential transferability of the substantive grounded theory, together with practicalities of completing the field work within limited time.

Relationships and context:

In moving from axial coding to selective coding hypotheses, the patterns included views of other interviewees in addition to axial respondents (Figure 4.2). These patterns referred to sub-categories of key categories that developed from the axial coding, and they were related in hypotheses to cultural or other factors that might explain differences between views of managers from different countries.

Linkages of the core category through the key categories and their sub-categories to cultural and other contextual factors were explored with interviewees. This increased the saturation of explanation for differences in control perceptions. It produced a rich melange of control elements, meanings of elements, opinions on how much and why perceptions differ between cultures, and illustrative anecdotes. As indicated in Table 4.1, this provided fit of theory to data and variation in context. It also helped broaden the applicability and transferability of the findings.

Depth of support and alternative explanations:

This fit was checked by going back through interview transcripts and other data items. This included negative case analysis (Henwood and Pigeon, 1992; Pigeon, 1996), that is searching for instances where hypotheses implicit in findings were not supported. This deepened understanding of patterns and helped demonstrate validity

of the hypotheses. An examples of this is given below (*13.2.1 Qualitative negative case analysis*).

A number of alternative explanations to the theory emerged. These were checked in terms of data fit, either against existing data or by further theoretical sampling. This helped confirm validity of the theory. An example of one of these alternative explanations was whether patterns, apparently related to national culture, were related more to the organisation that interviewees worked for. This was checked against existing data. Views of expatriate managers were also sought, in further theoretical sampling, so as to check whether apparent patterns by interviewees' country of upbringing might arise from factors of the location where they were working.

A further test of alternative explanations was to compare 'weights of opinion' between groups of interviewees. For many selective coding categories the researcher placed interviewees' opinions on an intensity scale. These intensity scales, such as the importance of responsibility to control assurance, is an example of what Strauss and Corbin (1990 and 1998) term a 'dimension'. Intensity scales were found to be a convenient method for coding opinions that did not fit exactly into one or another category. For example, explanations for accountability very often included a combination of different meanings, with a variable emphasis between them. This called for an ordinal rather than nominal coding.

This has some parallel with intensity scales used sometimes for content analysis (Hall and van der Castle, 1966; Budd et al., 1967). Intensity scales were averaged for groups of interviewees to form weights of opinion, as an approximate ordinal quantification of the tendency of opinion for each group. Weights of opinion for interviewees were compared between countries of upbringing, to represent national culture, and other groupings such as location. This analytical technique facilitated the researcher's judgement about alternative explanations.

Analysis by weights of opinion did not amount to formal content analysis. For example, there was no discussion, refinement and agreement within a research team of these categories (Hall and van der Castle, 1966; Gray et al., 1995). There was no check on 'inter-rater' reliability to ensure that other researchers would have assigned instances to the same categories (Silverman, 1993). However, the objective here was

not to do formal content analysis, which is concerned with objectivist criteria of stability, replicability, accuracy and valid representation of real phenomenon (Krippendorff, 1980; Weber, 1985). Instead the purpose was to check the researcher's interpretation of complex patterns in the data that had been gathered. Content analysis "struggle(s) continuously with the problem of context or the embeddedness of a text or story within personal or group experience" (Manning and Cullum-Swan, 1994, page 474). In contrast, this study attempted to leave data embedded within the personal experience of interviewees by quoting their anecdotes, and to include their thoughts on context within the emergent theory. Whereas content analysis seeks to build interpretation on quantitative analysis, this study induced theory through qualitative analysis.

A number of preliminary findings were tried out with 7 managers experienced in cross-cultural management. These included managers with expatriate working experience in the 3 national cultures under study. Explaining findings, often in diagrams for ease and speed of communication, showed linkages between them and started to give coherence to an emerging theory. Views of these experienced control practitioners were a check on researcher and reflexive reliability (Scapens, 1990; Humphrey and Scapens, 1996), as well as on credibility of the findings and emerging theory (Pigeon, 1996). Their reactions gave an indication of whether the purpose of helping managers might be achieved.

The question was considered of whether, and to what extent, the research process might have altered the views of the managers studied. The 30 axial respondents were asked this. None of them admitted to changing their view of management control, although many of them admitted to giving the subject more thought and perhaps to developing their views as a result of the study. No significant change, during the course of the fieldwork, appeared in the perception of any axial respondent, apart from one. This was explained by the axial respondent as arising from experience gained in a new job, rather than from the study.

Corroborating selective coding hypotheses with statistical tests:

Just as statistical tests were used to corroborate patterns in axial coding, they were also used for some hypotheses in selective coding. This was done, as explained above, in order to test alternative explanations and to corroborate the findings.

The same considerations about statistical inference apply here as discussed above for axial coding. Categories used in the axial coding statistical analysis were groupings of concepts referred to by axial respondents and included in diagrams confirmed with them. The selective coding categories included further aggregation and abstraction. This added to the subjectivity of the analysis.

Corroborative statistical tests were done in order to test two types of alternative hypotheses. The first was the possibility, as described above for corroborating the axial coding, that patterns of perceptions about control assurance, which appeared to arise between interviewees from different countries, might represent factors between other groups such as managers working in different countries or for different employers. The second was the possibility that apparent associations between particular findings and particular cultural dimensions might not arise from cultural dimensions, but from some other factors related to managers' country of upbringing.

All of these corroborative statistical tests used non-parametric statistics because the underlying data was ordinal, not interval, data. Tests for whether patterns of control perceptions related to interviewees' country of upbringing, rather than to other groupings, generally used either the Kruskal-Wallis test or Mann-Whitney test, as done for testing axial coding. These tests used the intensity of interviewees' opinions on each category, as assessed by the researcher, but without making any assumptions about the size of intervals between points on intensity scales. Weights of opinion used for selective coding therefore differed from the intensity scale used for axial coding, which used the scale 'not mentioned' to 'essential' based on control elements in axial respondents' diagrams of credit control. Corroborative statistical tests also drew on opinions of a wider range of interviewees than the 30 axial respondents for axial coding.

Tests to corroborate association between intensity scores for interviewees' views on some selective coding categories and cultural dimensions used the non-parametric Spearman rank correlation test (Siegel and Castellan, 1988). Parametric statistics are usually used for analysis of cultural dimensions (Hofstede, 1984; Smith, 1993; Woolliams, 1997; Woolliams and Trompenaars, 1998). A non-parametric test was chosen because both the weights of opinion and results of the cultural survey are based on ordinal data. Furthermore, subjects for this correlation test were individuals rather than populations. Measurements of control perceptions and cultural

dimensions had to be meaningful for each individual, so aggregation of ordinal data into frequencies, or other interval forms of interval data, was not an option. Although 50 interviewees were also respondents in the cultural survey (Figure 4.1), one of these contributed only to open coding, and therefore provided no data for selective coding categories. The correlation tests could therefore be run for 49 interviewees.

This verification of findings from selective coding, through checking back to data, qualitative testing of alternative explanations, using statistical analysis for corroboration, and trying findings out with experienced expatriate managers, helped build confidence that reliability of data collection had not been compromised by undue bias. The data used in the statistical tests was drawn from qualitative assessment; it is inherently subjective. Therefore, as with statistical testing of axial coding, it merely corroborated the qualitative findings. It helped show that interpretation of the data was valid, that the researcher had not fallen into the holistic fallacy of interpreting complex data as more patterned than it really was, and was not swayed by elite bias of some articulate interviewees. It threw some light on the construct validity of interpreting measurements of cultural dimensions as representing the cultural traits for which these cultural dimensions are used as labels. Furthermore, as indicated in Table 4.1, checking some findings with experienced cross-cultural managers helped provide comfort that the findings were progressing towards producing some knowledge that might be useful to such managers.

Understanding, back to purpose:

An important finding of the study was that each person has a unique perception of control. Therefore, while there are patterns in how people see management control, a manager's control perception cannot be predicted from his or her cultural or other background. Reflection on this clarified what was probably implicit in the research question, purpose and interpretive methodology. The purpose of this exploratory interpretive research is not to help managers predict control perceptions of an individual or small group of people, nor to offer quick solutions. Instead it is to offer explanation that may help managers understand the extent of diversity in perceptions within these cultures, and help them appreciate some of these perceptions, so that they are better equipped to manage for effective control.

This interpretive research to increase understanding, as opposed to functionalist research in order to predict, has a parallel in Llewellyn's observation (1992) that correlations in natural sciences, indicating cause and effect, both constitute 'explanation' and provide evidence to support theory. In contrast, she notes that from a subjectivist stance explanation must encompass understanding.

4.3.9 No comparison made between the 2 MNCs

It should be made clear that this study did not set out to compare management control in the 2 MNCs. This may appear a strange choice, because contingency theory of management control suggests that the nature of a company, its industry, technology, strategy and its organisational culture are likely to affect its management control systems (Otley, 1980; Baliga and Jaeger, 1984; Govindarajan and Gupta, 1985; Gupta and Govindarajan, 1991; Fisher, 1995). The management control systems of these companies are likely in turn to affect managers' perceptions of management control. Findings of this study into CoX and CoY managers' perceptions of management control are likely to be affected by the objective reality of these companies' management control systems, which in turn are likely to be affected by the nature of the companies and their business situations. Therefore the reasons for this exclusion of a comparison of management control between the 2 MNCs needs to be justified, and the implications need to be examined.

Reasons for excluding comparison of the 2 MNCs' management control systems:

The first reason for excluding such a comparison between CoX and CoY is the research question. This is concerned with national culture and other cross-national factors. It does not refer to differences between companies. Exclusion of company related contingencies from the scope of the research question and the study was seen to offer advantages of narrowing the scope of the research. Nevertheless, differences between the 2 MNCs' management control systems might still be relevant to the study, if these differences act as an extraneous variable to affect results that are attributed to national culture or to other cross-national factors.

The second reason for excluding comparisons between CoX and CoY is that exclusion was implicit in the terms agreed with these MNCs for access to do this study. These terms included there being 2 companies and that they remain

anonymous. It appeared that they were each concerned lest any particular findings might be identified with them. Findings that show them in a good light might potentially inform their competitors of their competitive advantages. Unfavourable findings might be embarrassing to the company or individuals concerned. Comparison of the MNCs' management control systems would be difficult to report without identifying each comparative feature to either CoX or CoY. Moreover, contingency theory suggests that comparison of their management control systems would be difficult without reference to their relative size, industry and strategy. Disclosure of this information would invite speculation as to the identity of these MNCs.

Sensitivity by the MNCs to comparison was evident when discussing with them whether and how findings specific to one of them could be discussed with managers of the other. These limitations on discussion of inter-company comparisons would have hampered discussion of findings of inter-company differences with managers. Discussion of the findings with management of CoX and CoY, was identified as contributing to meeting the evaluative criteria; it is discussed in the next section 4.4 *Initial reporting*. These discussions could not include comparison between CoX and CoY.

A fourth reason was the practicality of what could be achieved in the time available to the researcher and interviewees. Extending the scope of the study to a comparison between the MNCs management control systems would have reduced very significantly the time available for inquiring into interviewees' perceptions.

Implications of excluding comparison of the 2 MNCs' management control systems:

The first of two implications has been referred to: differences between CoX and CoY in their management control systems may affect results that are attributed to national culture or to other cross-national factors. For this reason care was taken to check apparent findings in perceptions, that they did not represent more significant differences between managers from the 2 MNCs than between managers from different countries. These findings were dropped from the study. In this way, perceptions of management control relating to such matters as quality control for products and services, customer selection and retention, performance measurement

and reward systems, and control of industry specific risks were omitted from the study.

Opinions on each category were, where possible, sought from interviewees of both MNCs. Apparent inter-company differences were then watched for. Later, when more views were gathered and compared by weight of opinion, differences in views were compared between MNC as well as by country of upbringing. Finally, as explained above, non-parametric tests checked significance of differences between the MNCs as well as between countries of upbringing, for both axial and selective coding.

The second implication is that, in avoiding differences in control perceptions between managers of the 2 MNCs, important differences in control perceptions between managers from different countries may have been overlooked. This is probably inevitable. It is therefore a limitation of this exploratory study.

4.4 *Initial reporting*

Reporting of interim findings to senior managers CoX and CoY and also to academic audiences commenced while the analysis was still in progress. This helped development of the emerging substantive theory in a number of ways.

Challenges of presenting to perceptive and well informed audiences raised the immediacy of clarifying the theory so that it was easy to present and to understand. Trying out alternative diagrams stimulated ideas for refining and regrouping the key categories. Questions were raised about implications of the theory, what problems and opportunities it showed, and where and how it could be used. This helped tease out the essential parts of the theory.

Presentation gave some indication of how far the various audiences found the interim findings credible, significant and useful in their business or academic fields. Reactions of people experienced in the cultures indicated whether the findings were reliable and free of undue researcher and reflexive bias.

4.5 *Conclusions for research methods*

This chapter has described what was done in the design, data collection and analysis for this study. There was a progression from broad generality to specificity. This

occurred in the design, which started with broad methodological assumptions and progressed to trying out specific techniques in a pilot study. And yet the design continued to progress while in the field: theoretical sampling continued to lead to new interviewees and other data sources; statistical tests, not envisaged in the research plan, were introduced in order to test alternative explanations. There was a progression from a broad range of 1,400 open coding categories, through 23 axial coding categories, to 6 key categories centred around one core category. At the same time there was progression in the opposite direction from specificity to generality. Inquiry moved from the specific area of credit control to wider management control and gaining management control in general. Initial ideas, that emerged from among the 30 axial respondents' views on credit control, were filled out and tested among them and 69 other interviewees.

The research methods for this study have also been described in terms of the criteria for rigorous research, using middle range methodology, which were set out in the previous chapter. It explained how considerations for the research purpose and perspectives, reliability, validity and generalizability were balanced against the practicalities of doing the fieldwork. By describing how the research was done, readers may form their own view on the adequacy of the research process (Strauss and Corbin, 1998), and on whether the findings and substantive theory are transferable to other situations (Laughlin, 1995; Kvale, 1996).

CHAPTER 5. CONTEXT OF THE STUDY

This Chapter sets the scene for the findings of this research, by describing the context of the locations and organisations within which the grounded theory case study was conducted from August 1997 to January 1998.

The 3 countries in the study are very different. The People's Republic of China (PRC), has a population of 1.2 billion people (State Statistical Bureau, 1997), and is located in East Asia. It is a Socialist country governed by the Chinese Communist Party (E.I.U., 1997). It has a socialist market economy which is reforming its State Owned Enterprises (S.O.E.s), increasing market orientation, and increasing its openness to the outside world (Jiang, 1997), by for example seeking entry into the World Trade Organisation (WTO) (Economist, 2000). Beijing, where the field work in China for the case study was conducted, is the capital city of the PRC. It has an official population of 12.6 million people, but is second in size to Shanghai whose population is 14.2 million (State Statistical Bureau, 1997).

The Czech Republic, with a population of just 10.3 million (E.I.U., 1999), lies in Central Europe between Germany, Austria, Slovakia and Poland. It is a new country, formed from the division in January 1993 of the former Czechoslovakia. Its present multiparty democracy was reintroduced only in 1989 with the 'Velvet Revolution', which started a rapid transition in its economy and institutions from a member of the Warsaw Pact and Comecon towards membership of NATO and the European Union (EU). It is already a member of the WTO (Price Waterhouse, 1995). Prague, where the field work in the Czech Republic for this case study was conducted, is the capital of the Czech Republic. It has a population of 1.2 million.

The UK, with a population of 59 million (Office for National Statistics, 1998), lies off the North Western coast of continental Europe. It has a long tradition of parliamentary democracy and a market economy. It is a member of NATO, the EU and WTO. The field work for this case study was conducted in various locations within the UK.

5.1 Mainland Chinese culture

The Han people of China have had the longest span of homogeneous development in the World (Child, 1994), with little foreign influence, from the Xia dynasty of 2,000

BC. Even where invasions from Mongolia (1271 AD) and Manchuria (1610 AD) created the Yuan and Qing dynasties, the new foreign elite were absorbed into, and adopted, the local Han culture. In more recent times, despite debilitation from the decline and collapse of the Qing dynasty, China fought against foreign incursions by Western and Japanese colonial powers from the first Opium War in 1839 through to 1945 (Fairbank, 1987; Spence, 1990). Introduction of European institutions during this period was often resented, as were the 'unequal treaties' through which Western powers sought to protect their interests in China; these are only now being finally expunged with the hand over of Hong Kong and Macao. Development of Chinese tradition and culture, in the sense of shared beliefs, attitudes and values, have become particularly deep rooted.

"The influence of China's long past is ever present in the environment, the language, the folklore, and practices of government, business and interpersonal relations" (Fairbank, 1987, page 367).

According to this view, the institutions and practices of the modern People's Republic of China are a veneer of political economy (Child, 1994) over the persistent foundation of Chinese culture.

Among Taoist, Buddhist, folklore and other sources, Confucian tradition and philosophy stand out as a defining foundation of Chinese culture. Sources of Confucian tradition are traced back to the 5 Confucian Classics (de Barry, 1960), of which *I Ching* is reputed to date from before the start of the Chou dynasty in 1150 B.C. (Wilhelm, 1968). Confucius himself is said to have died in 480 B.C. (Huang, 1997) or 479 B.C. (Dawson, 1993). Confucianism as a philosophy was moulded by his followers, in particular by Mencius who lived perhaps from 372 to 289 B.C. (de Barry, 1960). Development of Confucianism continued however over succeeding centuries up to at least the beginning of the Qing dynasty in 1644 A.D. (de Barry, 1960). The tradition of Confucian learning continued during this last dynasty as the basis for state examinations and entry to the privileged meritocracy of the government civil service up to 1905 (Fairbank, 1987; Spence, 1990).

While it is impossible to summarise the richness of cultural beliefs, values and assumptions in a few paragraphs, four cultural values based on Confucian thoughts are often referred to (Child, 1994; Lu, 1996; Hoon-Halbauer, 1999). These are

respect for age and hierarchy, group orientation, preservation of 'face', and the importance of interpersonal relationships.

1. Respect for age and hierarchy

Based upon the Confucian concept of *li*, 礼, meaning 'rites' or rituals²⁵, each person is seen as having their position in society. Elders, hierarchy within society, government, business organisations and families are traditionally respected. Related to this is respect for received wisdom of earlier sages, such as the sayings of Confucius (1997).

Attempts have been made to measure these differences, in particular concerning respect for hierarchy, between Chinese and UK cultural values. For example, Hofstede (1984, 1991) measured Power Distance for IBM staff in some Chinese cultures compared to that to the UK. These are shown in Table 5.1, with a similar measure by Cragin (1986) for managers in mainland China. Unfortunately, a measure of Hofstede's Power Distance appears not to be available for the Czech Republic, or Czechoslovakia as it was when he did his research..

²⁵ "The rituals were a code of propriety, a set of rules and institutions by which people, or rather, those of the shi class (one between ministers and commoners, composed of minor officials and scholars) upward, were supposed to conduct themselves in their relations with the gods and spirits as well as with other human beings The rituals and music were used by good rulers as government measures to achieve humane rule - the rituals to regulate the people's actions, to bring security to the sovereign and good government to the people, and music to harmonize their hearts, transform customs and modify conventions. To Master Kong (Confucius), they were far superior to laws and punishments." (Huang, 1997, pages 20 - 21)

	Power Distance Index (PDI) ²⁶
Singapore	74
Hong Kong	68
Taiwan	58
Mainland China	56
UK	35

Table 5.1: Hofstede's Power Distance Index (Hofstede, 1991; Cragin, 1996)

2. Group orientation

The traditional Chinese social unit is the extended family. This has a long tradition based upon 'filial piety' (Confucius, 1997; Mencius, 1970). It is reflected today both in strong extended families and in strong codes of conduct that bind other in-groups:

"The family's moral judgement, especially as expressed by the father, provides the standard for approved behaviour. These same features also characterize in a somewhat diluted form the individual's attachment to other groups. They direct people's loyalties towards their family and work groups, and to the specific standards these apply, rather than to broader social entities" (Child, 1994, page 30).

This cultural attribute has been measured by Hofstede (1984, 1991) in his Individualism index or IDV. Scores on this index for British and various Chinese cultures are compared in Table 5.2.

²⁶ Hofstede measured his PDI from a high of 104 for Malaysia, to low of 11 for Austria. Unfortunately he did not include mainland China in his research. Some care is needed in comparing Cragin's research to that by Hofstede (Sondergaard, 1994), as Cragin did not restrict his sample to IBM staff (Smith and Wang, 1996)

	Individualism Index (IDV) ²⁷
Taiwan	17
Singapore	20
Hong Kong	25
Mainland China	36
UK	89

Table 5.2: Hofstede's Individualism Index (Hofstede, 1991; Cragin, 1986)

Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) has also measured Collectivism or 'communitarianism', and done so for all three national cultures studied in this study. His results are summarised as indices in Table 5.3, which show mainland China to be a Collectivist culture.

	Mean scores		
	<u>Mainland Chinese</u>	<u>Czech</u>	<u>British</u>
Achieved – Ascribed status	47	57	74
Individualist – Collectivist	30	90	64
Locus of Control: Internal – External	19	47	62
Specific – Diffuse	20	77	78
Universalist – Particularist	34	37	67

Table 5.3: Trompenaars' (1997) cultural indices from his survey results²⁸

3. Preservation of 'face'

Importance of maintaining 'face' is widely recognised as an oriental (Ch'ng, 1997), and in particular Chinese (Lu, 1996), characteristic.

²⁷ Hofstede (1991) measured IDV from a high of 91 for USA, to a low 6 for Guatemala.

²⁸ These scores represent the relative strength of the first named pole of each dimension. Trompenaars' (1997) Achieved – Ascribed status ranges from 90 for Norway with USA at 77, to 10 for Nepal. His Individualist – Collectivist dimension ranges from 90 for the Czech Republic with USA at 76, to 10 for Egypt and 12 for Japan. His Internal – External Locus of Control ranges from 90 for Mexico with USA at 84, to 10 for Japan. His Specific – Diffuse dimension ranges from 90 for USA to 10 for Venezuela. His Universalist – Particularist dimension ranges from 90 for Norway with USA at 76, to 10 for Yugoslavia and 16 for South Korea.

“ ‘Face’ is essentially the recognition by others of a person’s social standing and position. The Chinese attach importance to the views others hold of them far more than most other cultures. Any form of idiosyncratic behaviour carries the risk of losing face and is culturally inhibited in China. The preservation of face connects with group identity since there is a strong expectation that any conflict within the group will remain private: if publicised, the group as a whole is demeaned” (Child, 1994, page 30).

Face is closely connected to shame (Redding and Martyn-Johns, 1979). According to Confucius’ follower, Mencius (1970, VII A 6):

“A man must not be without shame, for the shame of being without shame is shamelessness indeed.”

Concern for face may be associated with highly Diffuse cultures and cultures where status is ascribed (Trompenaars, 1993; Trompenaars and Hampden-Turner, 1997), represented by the first and fourth indices in Table 5.3.

4. Importance of relationships

The fourth concept listed by Child and Lu is *guan xi* 关系. This is a network of personal relationships outside an individual’s immediate family. It is described by Ch’ng (1997) as being based on Confucian tradition and being typical of Chinese as well as other East Asian cultures. Yang (1994) traces its ancestry from Confucian traditions through more recent influences, such as the Communist regime since 1949 and the Cultural Revolution from 1966 to 1976. While she describes it as Chinese, she points out that similar exchanges of gifts and favours have been found in poor black communities in USA, the urban middle class of Chile, Nigerian bureaucracy and the former socialist societies of Eastern Europe and the Soviet Union. It is an attribute that represents a strongly Diffuse culture, which is reflected in Trompenaars’ results shown in Table 5.3.

In modern Chinese business, personal relationships are extensively used in order to obtain information, to control relations between bosses and subordinates, and to negotiate between people from different organisations. Consequently, trust, reciprocity, and scope for renegotiation, as opposed to the formality, certainty and transparency of explicit contractual arrangements, are expected to count for much

more in Chinese than in Western business dealings (Child, 1994; Lu, 1996; Carver, 1996; Ch'ng, 1997)

Ch'ng (1997) points out the importance of sincerity to oriental relationships and the different meaning it has between oriental and western cultures:

"To a Westerner, sincerity means "words that are true to conviction and feelings"; to an Easterner, sincerity means "actions that are appropriate to a specific relationship and make it harmonious and of optimum mutual benefit". Sincerity in the West conveys an intention. It is personal. In the East sincerity is related to how one behaves in a relationship. It is interpersonal. An insincere relationship is one which is exploitative in nature. Such a relationship disrupts harmony because it is not founded on trust but manipulation." Ch'ng (1997, page 70)

Confucian dynamism

Hofstede and Bond (1988) describe a cultural dimension, Confucian Dynamism, which was developed from the results of a survey based upon Chinese values (Chinese Culture Connection, 1987).

"Confucian Dynamism ... deals with a choice from Confucius' ideas ... its positive pole reflects a dynamic, future-orientated mentality, whereas its negative pole reflects a more static tradition-orientated mentality" (Hofsede and Bond, page 16).

While culture of the Czech Republic appears not to have been included in their survey, scores for China and the UK are shown in Table 5.4

<u>Country</u>	<u>Rank</u>	<u>Score</u>
China	1	118
UK	18	25

Table 5.4: Hofstede and Bond's (1988) Confucian Dynamism index²⁹

²⁹ This index, reported (Hofstede, 1991) for 23 countries, ranges from a score of 118 for China to 0 for Pakistan. High scores indicate future orientation, and low scores past or present orientation.

There appear to be at least two problems with using this cultural dimension in the present study. Firstly, others have had problems operationalizing a measure for this index (Harrison et al., 1994) and it is not apparent that the results have been replicated nor that a score is available for the Czech republic. Secondly, the dimension is concerned with Chinese not Western values. It was developed from “40 values adduced by Chinese social scientists as being of fundamental importance in Chinese culture” (Bond, 1996, page 214).

“The animating intention ... was to develop a measure of values that would reflect indigenous themes and concerns of Chinese culture” (Chinese Culture Connection, 1987, page 145).

“an unashamedly Chinese instrument: No concerns about cultural equivalence stayed selection of survey items” (ibid, page 159)

“To a Western mind, some of the items seemed strange, such as ‘filial piety’ (which was explained as ‘honoring of ancestors and obedience to, respect for, and financial support of parents’)” (Hofstede and Bond, 1988, page 15).

This can be seen from the reported values, as shown in Table 5.5, where “both the values on the right and those on the left are in line with the teachings of Confucius” (Hofstede and Bond, 1988).

<u>Future orientation</u>	<u>Past and present orientation</u>
Persistence (perseverance)	Personal steadiness and stability
Ordering relationships by status and observing this order	Protecting your ‘face’
Thrift	Respect for tradition
Having a sense of shame	Reciprocation of greetings, favours and gifts

Table 5.5: Values associated with Confucian Dynamism

(Hofstede and Bond, 1988)

Therefore, Confucian Dynamism appears to be emic to Chinese cultures and alien to many Western cultures. Caution is needed if Confucian Dynamism is to be used to compare Chinese to Western cultures. However, corroboration for such comparison is claimed for this from association between future or long-term orientation to economic growth in the periods 1965 to 1984 (Chinese Value Connection, 1987), 1965 to 1985 (Hofstede and Bond, 1988), 1965 to 1987 (Hofstede, 1991) and 1965 to 1990 (Bond, 1996).

Other cultural dimensions

Cragin (1986) measured mainland Chinese culture for four of Hofstede's cultural dimensions, that is for Uncertainty Avoidance and Masculinity as well as for Power Distance and Individualism. These may be compared, as done in Table 5.6, to scores for British culture, subject to the caution needed (Sondergaard, 1994) because he did not restrict his sample to IBM staff as done by Hofstede (Smith and Wang, 1996).

	<u>Uncertainty Avoidance</u>	<u>Masculinity</u>
Mainland China	117	0
UK	35	66

Table 5.6: Hofstede's Uncertainty Avoidance and Masculinity indices³⁰

(Cragin 1986; Hofstede, 1991)

Both of these cultural dimensions appear to be more universal than Confucian Dynamism, although some researchers have found problems in applying Uncertainty Avoidance in oriental cultures (Hofstede and Bond, 1988; Harrison et al., 1992; Smith et al., 1996). A particular problem appears with using Hofstede's instrument to measure Uncertainty Avoidance in mainland China. It is based on 3 questions, one of which asks respondents how long they intend to continue with their employer. The % of respondents replying less than 5 years is taken into the algorithm for the Uncertainty Avoidance score³¹. Employment in mainland China until the Deng reforms from 1979 was centrally planned, generally not a matter for individual choice. The 'iron rice bowl' mentality of a job for life was prevalent until reform of the dominant significant state owned sector in the 1990's (Economist, 1997, May 3; Economist, 1999, March 13). This is a problem of functional equivalence (Adler, 1983). Cragin's measurement of Uncertainty Avoidance for mainland China may therefore be higher than warranted by the cultural attitudes generally indicated by the definition for this cultural dimension.

³⁰ Hofstede measured his Uncertainty Avoidance index from a high of 112 for Greece to a low of 8 for Singapore. He measured his Masculinity index from a high of 95 for Japan to a low of 5 for Sweden.

It is rash to attribute cultural traits to a people from a cultural dimension, rather than to use cultural dimensions to aid understanding of cultural differences. A comparison of mainland Chinese and British cultures could be made by selecting cautiously from the lists of differences provided by Hofstede (1991) for these dimensions. This selection might be guided by the researcher's experience in the absence of support from prior research or other literature. This however, would invite circular logic of using experience from this study to compare the cultures, and then to use this comparison to explain findings from the study. This temptation is resisted.

5.2 Czech culture

The Czech Republic, comprising Bohemia and Moravia, can be said to be at the crossroads between Eastern and Western Europe, and to some extent between Northern and Southern Europe (Krejčí, 1990).

5.2.1 History

Since about the 5th Century AD it has been populated by Slav people, traditionally said to descend from a Slav migration led by Čech, who settled in Bohemia (Heisler and Mellon, 1945; Heymann, 1966).

At the end of the 9th Century AD, the Great Moravian Empire, which included what is now the Czech Republic, was at the boundary between Western Christianity, that looked to Rome, and Eastern Orthodox Christianity. Moravia chose to look West, which set its course in terms of religion, education, and international outlook until the 20th century (Krejčí, 1990).

Bohemia became a powerful kingdom at the edge of the Catholic world. By the 15th Century, Prague University was an important seat of learning, of which Jan Hus became rector. Taking much of his ideas from Wycliff of England, Hus objected to ecclesiastical decadence, introduced Czech language to religious services, and claimed the Bible and personal conscience as the touchstones of truth. Although

³¹ The problem is compounded by this question being given an opposite sign to the other two questions in the algorithm. Unrepresentative or non-responses to this question may therefore have a disproportionate effect on the score for Uncertainty Avoidance.

receiving much local support, he was condemned by the Church and burnt in 1415. His example united the Czech people against Rome (Masaryk, 1978a; Krejčí, 1990).

With the Reformation, Czech lands of Bohemia and Moravia were at the interface between a Protestant north of Europe and Catholic south. They fell to the forces of the Counter Reformation of Catholicism and the Habsburg Empire (Krejčí 1990).

Reform of this Empire in 1867 into the Austro-Hungarian Empire gave a spring to Czech national life, which was already enjoying a growth of national consciousness. Rapid industrialisation followed. Defeat of Austria in the World War I brought an end to the Habsburg domination of nearly 400 years (Krejčí 1990).

In 1918 the new republic of Czechoslovakia was born under its President, Masaryk, who drew inspiration from Hus. This new state brought together the Czech and Slovak people, separated since the Great Moravian empire, each seeking strength in the face of both external threats and large internal minorities from their German and Hungarian neighbours (Krejčí, 1990). Between the two World Wars, it ranked among the most industrialised and economically advanced countries in Europe, with a high standard of living and a stable multiparty democracy (E.I.U., 1999: PricewaterhouseCoopers, 1999). This ended with the Conference of Munich in 1938, forced on Czechoslovakia by Germany, Italy, Britain and France. It was followed by German invasion (Krejčí, 1990).

Liberation from German occupation was soon followed in 1948 by a Soviet orchestrated communist *coup d'état*. A Soviet led invasion of 1968 crushed the Prague Spring of a more liberal communist regime under Dubček and reversed its economic reform toward a market economy. Public protest was expressed in the self immolation of Jan Palach and Jan Zafic and in the dissident movement, of which the playwright Havel was a prominent member (Krejčí, 1990; Price Waterhouse, 1995; E.I.U., 1999).

In the Velvet Revolution of 1989, Czechoslovakia threw out its communist government, no longer supported from Russia under Gorbachev, and elevated Havel to President. In the next year it held free elections for a democratic government (PricewaterhouseCoopers, 1999).

In 1989 Czechoslovakia faced the need to undergo a 'triple transition' in terms of politics from a communist to a democratic regime, of economics to markets and

private enterprise, and of identity and security in its territorial boundaries (Leff, 1997). This may be compared to the rather different transitional needs identified by China in its 'Four Modernisations' of agriculture, industry, national defence, and science and technology', taken up by Deng Xiao Ping in his opening up of China and reform of the Chinese economy (Fairbank, 1987; Spence, 1990).

In this triple transition, Czechoslovakia moved towards Western Europe. It rapidly re-introduced multiparty democracy. The Czech Republic applied to join the European Union and NATO, and took an active role in the Organisation for Security and Co-operation in Europe (E.I.U., 1999). New institutions have been created through legislation and rapid, but deep and fundamental, second order change (Seal, Sucher and Zelenka, 1995). This may be contrasted to the careful step by step reorientation, characteristic of the Chinese transition.

In 1992 the Czech and Slovak parts of the federation of Czechoslovakia agreed to separate into independent countries (PricewaterhouseCoopers, 1999). There had been differences in outlook since 1918. Czech lands were more advanced in industrialisation, national income, and literacy. Differences in religious outlook, with the Czechs being more secular, had led to barriers of communication. For Slovaks, too much of their state's identity and power was centred in Prague. After 1,000 years of separate historical development, but similar language and culture, they had come together for mutual protection from threats (Leff, 1997). By the 1990's these reasons for unity had disappeared.

5.2.2 Individualism

Trompenaars' (1997) findings, shown in Table 5.3, show the major difference of Czech from Chinese and British culture as extreme Czech Individualism.

Pynsent (1994) sees individualism in Czech culture. He draws on the views of Pater, that:

"Individualism means conscious differentness (non-submission to the habits of the surroundings) ... individuals are more important, ultimately than any larger constituent group" (op. cit., page 112).

He also quotes (op. cit., pages 8 - 9) both Masaryk

"Marxism represses personal responsibility too far",

and Havel's letters from prison:

"A sense of responsibility makes the individual and supplies the key to one individual's understanding of another".

This individual ethical responsibility (Meyer, 1997) is clearly based on guilt, rather than shame, being concerned more with an individual's conscience than opinion of others. Pynsent makes this clear (op. cit., page 9) in another quote from Havel:

"to accept the idea of collective guilt and collective responsibility means consciously or involuntarily to diminish individual guilt and responsibility... Thinking of that sort is the imperceptible embryo of moral nihilism".

Individualism in the sense of being true to one's own feelings and identity is a crucial theme in Havel's writing as a dissident (1991b) and also of the Czech novel 'I Served the King of England' (Hrabal, 1989). This individualism may also be reflected in what Pynsent terms the "Czech self-definition through martyrs" (Pynsent, 1994, Chapter 4), in that it is prominent individuals who provide the identity for a nation.

5.2.3 Truth

Pynsent (1994) explains the importance of truth to Czech identity by describing how the Czech dissident community

"characterized itself as living in truth – in contrast to living in the lie which socialist society constituted" (ibid. page 18).

He draws much from Havel's preoccupation with truth and also from Masaryk, who saw everyday Austrian society as a lie, at a time when what is now the Czech Republic was part of the Austro-Hungarian Empire. Truth was the most basic of values for Masaryk (Warren, 1941), who refers to Jan Hus' conviction that

"the Bible and personal conscience are the touchstones of truth" (Masaryk, 1978a, page 60).

Masaryk adopted as a motto '*Pravda vítězí*', or 'The Truth prevails'³². This was turned into a stimulus for everyday behaviour by Havel as 'living within the truth' (Krejčí, 1990). Writing as a dissident in 1978, Havel put great value on truth:

³² It appears in the standard of the President of the Czech Republic (http://www.hrad.cz/president/index_uk.html)

"He begins to say what he really thinks ... to express solidarity with those whom his conscience commands him to support. In this revolt (he) steps out of living within the lie" (1991a page 146), "in its most original and broadest sense, living within the truth covers a vast territory ... full of modest expressions of volition ... you simply straiten your backbone and live in greater dignity as an individual" (ibid. page 177) "the basic job of the 'dissident' movements is to serve truth, that is, to serve the real aim of life" (ibid. page 192).

For Havel, truth and individual responsibility are the basis for one's identity as an individual (Pynsent, 1994). The ethical aspect of truth is also found in the Czech writing of Patočka, for whom

"the truth which the soul struggles for is not a truth of view, but the truth of its own fate, truth linked with eternal responsibility" (ibid., page 20)

Concern for truth, in the sense of personal integrity, can be seen from its betrayal in Kundera's Czech novel 'The Joke' (1992).

Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) links truth to Universalism. Hofstede (1991) associates a high regard for truth with cultures of low Power Distance, Individualism, high Uncertainty Avoidance, with Western rather than oriental cultures, and with short-term (past and present) orientation of Confucian Dynamism. Of these cultural dimensions, only high Individualism is so far apparent for the Czech Republic (Table 5.3), although it might be imagined that Czech culture, like other European cultures, would be of short term orientation of Confucian Dynamism.

5.2.4 Resistance to foreign oppression

Czech resistance to foreign oppression is hardly surprising in view of Czech history. It appears in Czech humour and literature (Kuras, 1996; Hašek, 1974; Čapek 1985), and it is seen in a struggle between Czech and German identity (Pynsent, 1994; Leff, 1997). However, this resistance is normally not manifest in heroic noble sacrifice, but, as shown in Hašek's (1974) quintessentially Czech character, the Good Soldier Švejk, in canny realism of sly expediency and survival (Leff, 1997).

5.3 British culture

In contrast to China's at least 4,000 years of cultural continuity, and the Czech Republic's recent emergence in 1993, Britain last suffered a major military and cultural invasion in 1066 AD.

The UK comprising England, Wales, Scotland and Northern Ireland, is populated by Anglo-Saxon and Celtic people. Although this ethnic mix has remained largely unchanged since the 11th Century A.D., immigration, mainly from the Caribbean, India and Pakistan since 1945, has recently added more diversity of race and culture.

In contrast to Chinese respect for received wisdom, British culture has long had space for the people who challenge authority. Historical examples include the suffragette movement, the centuries long struggle for power between monarch and people's representatives in Parliament, and respect for thinkers such as Wycliffe, Bacon, Newton and John Stuart Mill who challenged received wisdom.

Maintaining the respect of others is also important to British people, but this is generally a less intensely sensitive issue than is Chinese concern for preserving face. Also, the British concern is usually directed towards respect by others in general, whereas Chinese concern is for respect by members of the in-group, from which a Chinese person usually looks to for identity. Like individualist Czech culture, British culture puts more value on an individual's conscience rather than face and shame in front of others. It tends to be personal guilt, rather than shame, which is the British spur, as explained by Kipling in his poem, which is still recommended to British school children:

*"If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too; Kipling (1998)*

5.4 Economic comparison

This brief description of the economic context for the study in the UK, Czech Republic and mainland China, is for the period up to and including the fieldwork which was completed in January 1988.

5.4.1 Chinese economic reform

Under Mao Zedong from 1949 to 1979, Chinese industry was owned by the State and subject to central planning. Production quotas and prices were set.

Economic reforms under Deng Xiaoping started in 1979 with agriculture, allowing family units to sell their private production in open markets free of price controls (Spence, 1990). Production of agricultural, industrial and consumer goods outside the state sector started as a trickle, but soon turned into a steady stream. From 1986 removal of industrial price controls started. In 1992 reform was reflected in the 'socialist market economy', which was included in the Chinese Constitution (Emmanuel and Yau, 1999; Jones and Xiao, 1999).

Deng also introduced an open door policy. In 1979 a new law allowed joint ventures between Chinese and foreign companies to operate in China. Initially four Special Economic Zones (SEZ) were set up along the eastern seaboard; more followed. Since then China has seen an unprecedented scale of inward investments, mostly in the form of joint ventures between foreign and Chinese investors. Western firms have imported their own management accounting systems. Joint ventures with foreign partners have acted as a conduit for diffusion of Western management accounting practices to Chinese joint venture partners (Firth, 1996). However, shortage of trained accountants, and accounting regulations that were geared to the needs of a command economy, are among the barriers that have retarded adoption of western management accounting by Chinese enterprises (Jones and Xiao, 1999).

Financial accounting regulation was introduced for foreign joint ventures in 1985. This departed from Chinese accounting, by recognising assets, liabilities and equity. Yet provisions for doubtful debts were only allowed in accounts of foreign joint ventures in 1992 (Chow et al., 1995).

The Accounting Law of 1985 for domestic Chinese enterprises required large and medium sized enterprises to appoint a chief accountant; it recognised accounting as an important part of management (Chow et al., 1995; Jones and Xiao, 1999). Since the Enterprise Accounting Standard of 1993, Chinese accounting standards have been introduced based upon International Accounting Standards (IAS). In this, for the first time, managers and external parties besides the Government are recognised as users of accounts of domestic enterprises (Roberts et al., 1998). However, these

standards still fall some way behind the full range of International Accounting Standards and the Generally Accepted Accounting Practice (GAAP) of the UK or USA. For example, provisions for doubtful debts are now required in accounts of all enterprises, but only up to maximum limits allowed by regulations. Debts less than 3 years old can only be written off when the debtor is bankrupt or deceased (Roberts et al., 1995).

Mainland China faces major challenges in the reform of its state owned enterprises, which still dominate its economy (Boisot and Child, 1996; Economist, 1997; Jiang, 1997; Economist, 1999 March 13). These challenges include lack of solid legal and financial institutions (Clarke, 1996; Bouin, 1998) on which would depend the transformation of these enterprises to market regulation.

5.4.2 Czech economic reform

From 1948 Soviet style economic policies were introduced (PricewaterhouseCoopers, 1999). Virtually all industry was nationalised and industry was aligned towards supplying heavy equipment to the Soviet bloc. This began to be reversed after the Velvet Revolution of 1989. In 1991 price liberalisation, freeing of exports and imports, and drastic cuts in subsidies heralded rapid economic transformation (E.I.U., 1999).

Rapid privatisation included giving vouchers to the people so they could acquire shares in newly privatised companies. Shares were purchased from the public by Privatisation Investment Funds, mostly set up by Czech banks (Sucher et al., 1998; E.I.U., 1999; PricewaterhouseCoopers, 1999). In June 1996, just six and a half years after the Velvet Revolution, the Privatisation Ministry was closed, its job apparently done, although important work remained to privatise the major banks (E.I.U., 1999).

But problems have emerged. Czech banks control most investment funds and are also the major creditors of privatised Czech companies, with resulting conflicts of interest (Economist, 1998 December 12; Sucher et al., 1998). Privatisation has not led to investment of sufficient new capital or new management expertise for a radical transformation. There has been inadequate protection of minority shareholders (E.I.U., 1999); the new entrepreneurs included 'red capitalist', who were seen to have converted political power into economic assets (Leff, 1997); and there has been growth in corruption (E.I.U., 1999). Purchase of shares by foreign investors helped

finance consumption and imports, which contributed to a devaluation of the Czech Crown in May 1997. The low rate of unemployment reflects reluctance by industry to restructure. Privatisation and transformation has been most successful where powerful foreign investors have been involved such as German Volkswagen in the Czech Škoda Automobile (E.I.U., 1999). Many Czech owned enterprises are virtually bankrupt (Economist, 1999 November 20), including the major Czech banks (Economist, 1998 December 12). Restructuring is hampered by inadequate bankruptcy laws. It has also been hampered by most of the shares from privatisation being within investment funds managed by Czech banks, who have thus been encouraged to prop up insolvent companies with further loans (The Banker, 1999).

5.4.3 Comparison of economic performance

China's economic growth in GDP has averaged 6% in real terms in the period from 1978 to 1995 in comparison to 1.7% for the UK, but has seen highs of 15% in 1984 and 1992, and a low of 4% in 1989 and 1990 (Maddison, 1998). This reflects the economic pressures, unleashed by reform and opening to the outside world, interspersed with measures to cool high inflation, officially measured at 18% in 1988 and 1989 (State Statistical Bureau, 1997). While the China economy was largely protected from the East Asian currency and economic crisis of 1997, its growth has slowed, as shown in Table 5.7.

	1994	1995	1996	1997
China	12.6	10.5	9.7	8.8
UK	4.3	2.5	2.6	0.3
Czech Republic	3.0	6.4	3.9	4.2

Table 5.7: Real GDP growth³³

The Czechoslovak economy slowed sharply in 1991-2 following the Velvet Revolution, because of lost captive markets and supply chains, withdrawal of industrial subsidies, and erosion of purchasing power as prices rose towards world

³³ From: China – E.I.U. 1997 and China Business 1999; UK – IMF 1999a; Czech Republic - IMF – 1998 and 1999b, and E.I.U. 1999. Multiple sources were used in order to ensure comparability between countries. Where there were discrepancies between sources, data was averaged; this resulted in a maximum adjustment of 0.3%.

market levels. A boost to growth came from domestic demand supported by growth in wages, and from sales of shares in privatised companies particularly to foreign investors. Much of this demand went to imports, fuelling a current account deterioration and currency realignment in May 1997 (E.I.U., 1999), which has precipitated a fall in growth (IMF, 1999).

The Chinese slow down, with falling demand and productive surplus capacity, is reflected in a dramatic reversal of price inflation, as shown in Table 5.7. Concerns about job security and the prospect of further price falls have resulted in Chinese consumers show increasing propensity to leave their money in the bank (Financial Times, 1999a). In contrast, Czech inflation remained relatively high, as the Czech economy was increasingly integrated with that of the EU and its higher prices.

	1994	1995	1996	1997
China	24.1	17.1	8.3	2.8
UK	2.4	2.8	2.9	2.8
Czech Republic	10.0	9.1	8.8	8.4

Table 5.8: Consumer price inflation ³⁴

The mainland Chinese and Czech economies can therefore be described as turbulent compared to the UK economy, in terms of GDP, inflation, reform of their state owned enterprises and transition of their economic structures.

5.5 Organisations and sites

The two multi-national enterprises, CoX and CoY, are compared, as also are their 6 sites where the case study was conducted. These sites are coded with a suffix U, P or B referring to the UK, Prague or Beijing for ease of reference.

5.5.1 CoX

A major focus of CoX is on brand image and product quality.

CoX is proud of its international approach, and gives considerable autonomy to local operating units. Despite its global brand, it is highly responsive to local situations

³⁴ From: China – E.I.U. 1997 and China Business 1999; UK – IMF 1999a; Czech Republic – IMF – 1998 and 1999b, and E.I.U. 1999. Multiple sources were used in order to ensure comparability between countries. There were no discrepancies between sources.

and markets in how it operates. It tries to be sensitive to local cultural perspectives and sensitivities, and brings people of many nationalities to its international headquarters (*documents # 1239, 1260*)³⁵. It could be described as having a geocentric approach to international management (Perlmutter, 1969; Heenan and Perlmutter, 1979). This approach has traditionally been achieved within CoX by seeking consensus where possible, and using its matrix structure to mediate between multiple perspectives.

Diversity in CoX is balanced by core standards, business ethics, values (*document # 181*) and some common corporate policies and systems. Among these are a common framework of management control principles (*document # 188*), within which local management have considerable discretion in how they implement systems to achieve policy objectives. This allows flexibility to respond to local situations with local solutions. Quality of management, processes and standards is a matter of pride. When mistakes are occasionally made, attention is focussed on how processes can be improved in order to manage the risks of recurrence (*Report # 201*).

At the time of the field work, CoX was undergoing considerable change, reducing its cost base, and increasing focus on world wide businesses and customers. To do this, it was shortening lines of decision taking and accountability, and moving away from its matrix structure in order to increase speed of response. Stronger vertical lines of communication and co-ordination had been set up to replace the matrix structure. Although there was evidence during the case study that regional (*interview # 291*) and global initiatives (*interviews # 117, 957, 1170*) might be replacing mediation between local perspectives, it was not clear if CoX was moving from a geocentric to ethnocentric approach. On the one hand, these initiatives were a move towards greater centralisation, while on the other hand they were being implemented by a diversity of nationalities.

CoX in the UK (CoXU):

CoXU has been long and well established. For many years it has faced endemic change. Where 10 years earlier, a particular process had been done by 40 people, at

³⁵ References in this style, with a '#' and number, refer to the case study database.

the time of the field work it was done by just 8. Appearance during the fieldwork of areas of empty desks, in preparation for moving another department from Southton³⁶ to Northton, raised no comment as being unusual. The inevitability of some of the research interviewees imminently losing their job was regretted but accepted quietly. The current round of change in organisational structure was seen as another challenge for the management of perpetual change.

Despite the effects of and attention to change, standards and ethos of CoXU appeared to be firm. As one CoXU manager said:

"What we are good at is giving everyone uniform standards and values, and ethics if you like. We know we are not going to meet a Jack the Lad, or if we do we will know how to deal with him. But by and large, you know what a (CoX) person is like before you have met him or her." (interview # 225)

CoX in Prague (CoXP):

CoXP had been established for about 7 years. During this time it has gone through phases of dynamic start up, rapid expansion and reorganisation. At the time of the field work, it appeared to be both growing its business, improving its systems to handle the size and complexity of its current business and absorbing changes arising from CoX reorganisations in other countries.

CoX in Beijing (CoXB):

CoXB has grown steadily from the early 1980s. Like many Western businesses in China, it faces the challenges of breaking into Chinese markets with quality products and service, and building its business in order to achieve economies of scale and long term objectives, while competing vigorously with other Western businesses seeking the same long term markets. It manages a representative office, for imports of its goods to its local agents, and joint ventures. None of the agents or joint ventures were located in the CoXB office where the case study was conducted.

5.5.2 CoY

CoY appeared to have high focus on its customers and on the value of its service.

³⁶ Code names have been given to locations in the UK, in order to preserve anonymity.

The nature of the service business of CoY allows much of it to be managed as largely independent local operations. However, attention to some critical factors, such as quality of service, leads to considerable exchange of information between countries and to sharing of common systems and procedures. Best practice is spread around CoY locations by adoption of common systems, procedures and policies, rather more than by example or word of mouth (*interview # 1095*).

Its characteristic style of operations features high focus on customers, dedication of staff and long work hours (*interviews # 1089, 1134, 1293*), and high concern for security of access and information (*interview # 1231*). Like CoX, it places high priority on business integrity, which is a prerequisite for staff recruitment and continued employment (*interviews # 20, 243, 1128; document # 1233*).

While CoY, in comparison to CoX, appeared to be led more by personalities than committees, there is considerable co-operation and spontaneous co-ordination of effort between managers and organisational sub-units (*interview # 1221*). This is supported by an atmosphere of considerable inter-personal trust (*interview # 549*), and a corporate culture where consultation between senior managers is expected (*interview # 1128*). While, during the field work, CoY faced no less organisational change than CoX, there was less talk and concern within CoY than CoX about such changes.

CoY management style appears not readily to fit a classification as either ethnocentric, polycentric or geocentric. Independence of its local operations indicated polycentrism, although in Prague and Beijing senior positions tended to be held by expatriate managers. Both of these sites could be seen as start up locations where local staff had not yet acquired sufficient experience to take on senior management positions. Strong global systems, policies and procedures might suggest some elements of ethnocentrism, although the mutual co-ordination and interpersonal trust between locations indicated geocentrism.

CoY in the UK (CoYU):

CoYU has been long and well established in the UK, as has CoXU,. However, unlike CoXU, the stress of staff reductions were not apparent in CoYU, although one might expect staff costs to be a higher proportion of a service than a products based

business. Management focus appeared to be on providing service (*interview # 1128*), and identifying opportunities for providing new services.

Staff in CoYU are expected to be creative and come up with their own ideas and suggestions (*interview # 1143*). Co-operation between organisational units and senior managers appeared to arise spontaneously, perhaps from shared interests and objectives.

CoY in Prague (CoYP):

CoYP had been established in Prague for about 7 years at the time of the fieldwork. During this period it has expanded rapidly, constrained by availability of staff with sufficient experience and expertise. The office was noted in particular for the camaraderie and good morale of all managers and staff (*observation # 1097.3*). Senior managers displayed a very high degree of courtesy and respect for all staff (*observation # 1052*).

CoY in Beijing (CoYB):

CoY has been established in Beijing since the late 1970s (*document # 1236*). The Beijing office was noted for the dedication of its staff. Its faced considerable growth opportunities constrained by availability of staff with sufficient expertise and experience.

5.6 Conclusions for the context of the study

This chapter has given a brief description of the cultural, economic and organisational context of the case study. If a deterministic view were being taken, these might be identified as embodying extraneous and intervening variables. Instead possibilities are recognised for a reflexive interaction between management control, its context, and perceptions of both control and context. Accordingly, the holistic approach of a case study is taken in which boundaries between the phenomenon under study and its context are not clear (Yin, 1994).

Rather more attention has been given to the national than to organisational context. This is because the study sets out with focus on differences between perceptions of managers from different countries rather than from different companies. There is also concern that too much description of the two organisations and their 6 sites

might invite speculation as to the identity of them and of the individuals whose views are reported here. Nevertheless the organisational context is potentially important. Information was also gathered on market conditions, such as on those pertaining to trade credit control, and on local institutions. These are reported later as they refer to specific areas of findings.

This chapter, although setting the scene for discussing findings of the study, itself begins the description of output from the fieldwork. It draws on data collected for open coding (see above 4.3.6 *Open coding*). It is the description of output from the study at its most general. The next chapter describes findings from axial coding that relates to patterns identified among views of axial respondents and among the responses of survey respondents. Subsequent chapters focus more narrowly on findings from selective coding for each of 6 key categories and on the substantive theory itself.

CHAPTER 6 FINDINGS FROM AXIAL CODING

This chapter looks briefly at the patterns that emerged from the axial coding, in so far as they are important to the selective coding and substantive theory of this grounded theory case study. It therefore builds a foundation for the following chapters that are concerned with selective coding.

Open coding analysed data that were not yet related to each other. Axial coding began to relate data, and selective coding built the substantive theory from related categories of data. This chapter therefore starts with a brief discussion of open coding, in order to explain how axial coding developed from it. The chapter next reports the axial coding concerning the cultural survey, which set out to measure the national culture for the 3 locations where the study was undertaken. Patterns identified in the views of the axial respondents' descriptions of credit control are then described and discussed. It is this second aspect of axial coding, concerning views of credit control, from which selective coding developed.

6.1 *Open coding*

Theoretical sampling for open coding consisted of wide ranging data collection on the context of the study and initial discussions with the axial respondents. Results of analysis of the context are summarised in the previous chapter.

As described above (4.3.6 *Open coding*), initial data collection with each of the 30 axial respondents was a general discussion with them about their area of work, their involvement with credit control, and their view of credit control as an example of management control. Attention was given by the researcher to the concepts that were used by axial respondents in describing credit or wider management control. Axial respondents very often grouped concepts relating to specific control phenomena into more abstract categories³⁷ relating to general control principles: examples of this can be found in Appendix C, such as 'acceptable risk', 'accountability', 'control framework', and 'apparent contradictions'. Relationships

³⁷ Groupings of abstract concepts pertaining to phenomena under study are termed 'categories', following Strauss and Corbin's terminology (1990 and 1998).

between concepts or categories were described or inferred. This level of discussion allowed the researcher, after transcribing these interviews, to draw a diagram of each axial respondent's view of credit control. An example is shown in Appendix C. Each diagram, prepared typically after one or two interviews with an axial respondent, was then discussed with him or her in order to check the researcher's understanding and to ensure the diagram captured the view of the respondent.

Each diagram of an axial respondent's views on credit control represented axial coding with that axial respondent. Open coding for initial identification of concepts therefore flowed rapidly into axial coding, in which relationships between concepts were explored.

6.2 Findings from the cultural survey

The choice and adaptation of Trompenaars' cultural dimensions and instrument was discussed above (4.3.7 *Axial coding - The cultural survey*). The instrument used here is copied in Appendix D.

Trompenaars has not published indices for his cultural dimensions. Instead he gives an average % response for each culture to specific questions (Trompenaars, 1993; Hampden-Turner and Trompenaars, 1997). An index for each of his dimensions (see Table 5.3) was kindly provided by Trompenaars through private correspondence, but he did not explain exactly how each of these dimensions were calculated. The method used here for calculating a score for each dimension for each survey respondent is explained in Appendix D.

6.2.1 Identifying cultural differences

As survey responses were returned, they were input to a spreadsheet, and averages were monitored for each grouping by national culture, organisation, site, function, level of seniority and gender.

In constructing his indices Hofstede (1984) standardised the mean score for each cultural group, in order to eliminate bias of the differences between cultures of propensity to acquiesce or agree with questions. Bond (1996) recommends procedures for handling differences in 'cultural response styles'. Where the results are to be used at the individual level (Bond, 1996), as intended here, these adjustments are required for the scores for each respondent. These procedures did

not prove to be possible for this survey, as indeed 'within subjects data standardisation' was not done with Trompenaars' data at least up to 1996 (Smith et al., 1996). The problem here was that an affirmative response for all questions concerning each cultural dimension indicated the same pole of the dimension. Standardisation between questions within each dimension would therefore have removed cultural data. Furthermore, standardisation was not feasible between dimensions. This is because affirmative responses indicated answers that, in 10 out of 14 questions from Trompenaars' results (1993), would be expected to be untypical for British culture.

Final results of the cultural survey are summarised in Table 6.1. For this, the score for each survey respondent for each dimension, and in some cases for each question, were loaded into SPSS. Responses were compared between cultural groupings using non-parametric statistics³⁸. Responses were first compared between respondents from different national cultures (measured as country of upbringing from question 7 of the questionnaire) using the Kruskal-Wallis test in order to see if each dimension showed a significant difference between any two of the national cultures. The mean rank³⁹ in this test for each cultural sample is shown in Table 6.1 in order to indicate which cultures scored stronger or weaker. A high mean rank indicates preference for the first named pole of each dimension. So, for example, British responses indicated strongest preference for Achieved status, followed by Czech responses and then by Chinese responses.

³⁸ The scores were calculated from questions using Likert scales. The score for each respondent is therefore ordinal not interval data (Siegel and Castellan, 1988). As the minimum number of respondents from one country was reasonably large (the fewest were 34 Czech respondents, per Table 4.6), parametric statistics might have introduced no more than acceptable distortion. However, non-parametric statistics were used for comparison of results with later tests involving fewer respondents. Consistent use of the same non-parametric tests assists comparison of results.

³⁹ The mean rank is produced from the Kruskal-Wallis procedure. This ranks the scores and uses positions in this ranking as data in place of score values. A mean rank is calculated for each sample (Siegal and Castellan, 1988), e.g. for all British data for a dimension.

	— NATIONAL CULTURES —						ORG. CULT.
	— Mean rank —			Significance			Significance
	British	Czech	Chinese	British - Czech	Czech - Chinese	British - Chinese	CoX - CoY
Achieved - Ascribed	67	53	41	0.0422		0.0003	0.0922
Individ. - Collective	58	48	54				
Locus: Chance	59	46	55				
Locus: Other people	55	52	53	0.0672			
Locus: Internal	49	58	54				
Specific - Diffuse	64	56	41		0.0356	0.0005	0.0188
- ditto - Q. 23	59	46	55	0.0273			
- ditto - Q. 24	62	59	41		0.0012	0.0001	
- ditto - Q. 25	54	58	49				0.0020
Universal - Particular	54	60	46		0.0631		
Time:							
Seq. - Synchronous	50	51	43				0.0600
Future	48	47	55				
Present	48	55	46				
Past	57	50	43			0.0238	
Incubator	56	58	48				
Family	44	56	61	0.0701		0.0111	0.0389
Eiffel Tower	43	54	63			0.0029	
Guided Missile	63	48	49	0.0353		0.0262	
Egalitarian - Hier.	66	56	39	0.0137		0.0002	
Person - Task	51	58	52				0.0980
People responding N	36	34	36				48, 51

Table 6.1: Analysis of responses to the cultural questionnaire

Where a significant difference was indicated by the Kruskal-Wallis test, the Mann-Whitney test was run in order to see between which pair of cultural samples the significant difference lay. For both tests a 10% level of significance was chosen. Therefore they showed where there was a less than 10% chance that the null hypothesis was rejected, where the null hypothesis was that the samples were taken from a single homogenous population. The levels of significance (2 tailed) at which the Mann-Whitney test rejected the null hypothesis are shown in Table 6.1, in order to show where there is greatest confidence that the survey indicates cultural differences. The Mann-Whitney test was used because it is more accurate than the Kruskal-Wallis tests when comparing two samples (Siegel and Castellan, 1988).

The Mann-Whitney test was repeated in order to indicate where there were significant differences in responses between managers from the two organisations. The difference in number of survey respondents for the tests between national cultures ($36 + 34 + 36 = 106$) and organisations ($48 + 51 = 99$) correspond to survey respondents who were either not from the 3 countries or not from the 2 organisations, as indicated in Table 4.6.

6.2.2 Analysis of the survey results

The results of this survey show significant differences for Achieved - Ascribed status and for Specific - Diffuse between the three national cultures. These differences are in the same direction as found by Trompenaars (Table 5.3). Although significant differences for these cultural dimensions are also shown between CoX and CoY respondents, these differences between the 2 MNCs are not as significant as the differences between either British and Chinese or British and Czech managers.

Results for the component questions of the Specific – Diffuse dimension (Appendix C, questions 23 – 25) are shown in order to illustrate how responses may differ between different questions for one dimension. For example, in question number 25 British responses are less Specific than are Czech responses. Yet, when averaged across all three questions for the dimension, British responses are the most Specific.

The significantly stronger British than Chinese view of the past may reflect a British preference to look for historical explanations. It may also, to some extent, reflect Czech and Chinese attention to the present and future during the current rapid changes in their social, economic, institutional and, at least for the Czechs, political worlds. Chinese responses show the strongest Future orientation, although the differences with British and Czech responses are not significant. This is interesting as it is consistent with Hofstede and Bond's (1988) interpretation of their measurement of Confucian Dynamism showing much stronger future orientation for Chinese than for British culture.

Although Trompenaars (Table 5.3) found British culture to be highly Universalist, Czech to be Particularist and Chinese to be even more Particularist, this survey found Czech responses to be more universalistic than were British responses. This may be because the people responding to this survey were unlike those responding to Trompenaars' survey, perhaps reflecting corporate cultures for CoX and CoY. It may also reflect a rapid change in outlook of Czech people during developments following their 'Velvet Revolution' when Communism was overthrown in 1989. Czech Universalism found here looks to be consistent with concern for truth in Czech literature and public life (discussed in 5.2.3 *Truth*).

Results from this survey for the Individualist or Collectivist dimension are rather more curious. They show Czech responses as relatively Collective, British as

relatively Individualist and Chinese responses tending to be between the Czech and British responses, but these differences are not significant. The impression gained by the researcher during the fieldwork was that Czech interviewees were strongly Individualist, British interviewees were Individualist but less so than the Czechs, and Chinese interviewees were strongly Collectivist. This was reflected, *inter alia*, in general tendencies for Czech interviewees to be most likely to give their own forthright opinions, and for Chinese interviewees to seek to give what they thought the researcher wanted to hear. Both Trompenaars' measurement of Individualism – Collectivism (Table 5.3) and Pynsent's (1994) review of Czech identity in literature are in line with this impression. These curious survey results are mainly attributed to the choice of 3 questions (Appendix C.20 – 22) for this survey from the 5 questions on Individualism or Collectivism used in Trompenaars' instrument. It will be remembered that the questionnaire was shortened in order to reduce the time needed for busy managers to complete it (4.3.7 *Axial coding - The cultural survey*). All three of these questions refer to, or imply, working within a team or a specific group within one's organisation. In contrast, one of the omitted questions refers to work within the organisation as a whole, while the other refers to attitudes to life in general rather than to work. Opinions were gathered in this study on teams as an organisational structure (9.6 *Teams as organisational structure*); these show British and Czech support for teams, whereas Chinese interviewees generally did not support the type of flat team structure described by the Europeans. Therefore, it appears that these survey results for questions designed to measure Individualism - Collectivism have also measured attitudes to teams, and that this confounds these results for Individualism - Collectivism.

The measures of Locus of Control in this survey were disappointing. Where there is a significant difference, namely stronger British than Czech attitude to control by more powerful other people, these results are counter to the impression gained by the researcher in the field. Locus of Control by more Powerful Others has some common ground with Hofstede's (1984) measure of Power Distance (Brewer, 1995) and with preferences for organisational hierarchy. Qualitative evidence gathered in this study indicated much stronger preferences for hierarchy among Czech and Chinese managers than among British managers (see 9.8 *Hierarchy in organisational structure*). This qualitative view is supported by results of the cultural survey for

Trompenaars' dimension of Egalitarian – Hierarchical orientation of corporate cultures (Table 6.1). Trompenaars' instrument measures simply Internal or External Locus of Control. An attempt was made in this study to split Locus of Control into a three way measure between Internal, External due to more Powerful Others (Frucot and Shearon, 1991; Brewer, 1995), and External due to Chance following Levenson (Kauffman et al., 1995). This required designing two new questions and interpreting results for some of Trompenaars' questions in new ways. This has met with less success than hoped for. The learning point for the researcher is that more extensive testing of the instrument in a pilot study, than could be done here, might have led to more meaningful results.

The survey included questions not only for Trompenaars' dimensions of national culture but also for his four ideal corporate cultures, namely Incubator, Family, Eiffel Tower and Guided Missile (Trompenaars, 1993; Trompenaars and Hampden-Turner, 1997). It will be remembered (see above, 2.3.3 *Types of control in different national cultures*) that these ideal types of corporate culture, correspond to some extent with Hofstede's (1991) organisational models of Village Market, Family, Pyramid of People and Well-Oiled Machine. Since both Trompenaars and Hofstede compared the incidence of these corporate cultures or models to national cultures, it is interesting to see whether there is any association between their models and data in this study. Table 6.1 shows how survey respondents responded in terms of Trompenaars' 4 ideal corporate cultures. British responses indicated the Guided Missile type corporate culture significantly more than did Czech or Chinese responses. They also indicated Family type corporate culture significantly less than did Czech or Chinese responses, and the Eiffel Tower type corporate culture significantly less than Chinese responses.

The two dimensions for Trompenaars' matrix, on which he plots these ideal corporate cultures (Trompenaars and Hampden-Turner, 1997), namely Egalitarian – Hierarchical and Person – Task, were calculated from scores for the 4 ideal corporate cultures (see Appendix D). This allows the average response for survey respondents of each of the 3 national cultures and working for each of the 2 MNCs to be plotted on Trompenaars' matrix, as shown in Figure 6.1. This Figure is also labelled with the 3 of Hofstede's models of organisation that appear to correspond closest to Trompenaars' ideal corporate cultures (Figure 2.1).

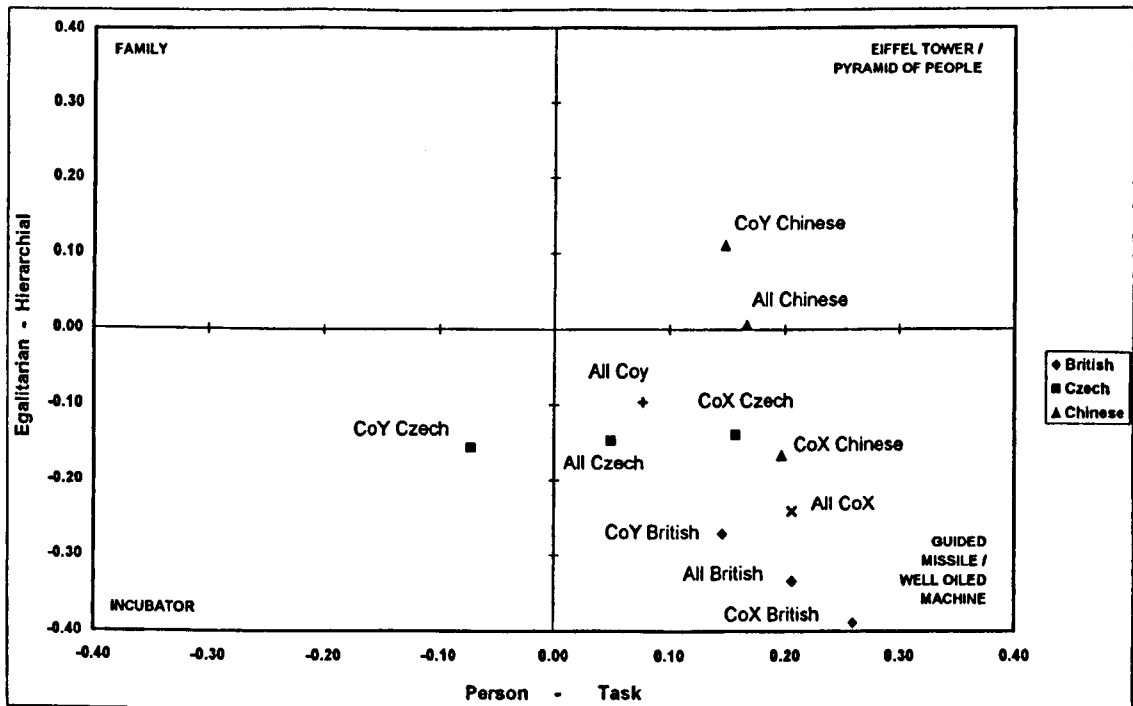


Figure 6.1: Survey responses by models of organisation

First of all it should be noted that the average responses for British and Czech cultures in this survey fall within the Guided Missile or Well-Oiled Machine quadrant. British responses fall furthest within this quadrant, which corresponds to Trompenaars' survey results (1993) for larger UK companies. Average Chinese responses fall on the border of this and the Eiffel Tower/Pyramid of People quadrants. Unfortunately he does not report results for mainland China or the Czech Republic. The Chinese responses show limited correspondence to Hofstede's (1991) results as he places Taiwan in his Pyramid of People quadrant, although he puts Singapore and Hong Kong firmly in the Family quadrant. However, it would be unsurprising if results of this study concerning corporate cultures of 2 very international MNCs do not correspond exactly with ideal models of organisation found by previous researchers. Corporate cultures of CoX and CoY may correspond to neither what is typical for the UK, Czech Republic and China, nor to ideal types preferred within cultures of these countries.

A few significant differences appeared between responses from the two MNCs (Table 6.1). CoX responses compared to those from CoY indicate significantly more Achieved status, Specific culture, Sequential time orientation and Task orientation, and significantly less Family type corporate culture. The differences for ideal

corporate cultures are illustrated by the plots for all CoX and all CoY average responses on Figure 6.1. The significant gap between them on the Person - Task orientation dimension may correspond to differences between industrial and service industries and to the CoX focus on quality products and brand image, as opposed to CoY focus on customers (see above 5.5 *Organisations and sites*). There may be a similar connection between stronger sequential time orientation for industrial processes and co-ordination of physical products as opposed to service processes. This however is speculation and does not recognise the possibility for synchronous co-ordination of industrial processes (see Hampden-Turner and Trompenaars, 1994 and 1997).

It is worth noting from Table 6.1 that among the 11 cultural dimensions that indicate significant difference between managers from different countries, all but 3 do not show a significant difference between managers from different organisations. This may lend weight to the view that national culture and organisational culture are distinctly different constructs. This view is supported by researchers describing them in terms of different dimensions (Hofstede et al., 1990; Trompenaars and Hampden-Turner, 1997; see also Figure 1.1).

6.3 *Patterns in views on credit control by axial respondents*

Axial coding of axial respondents' views on credit control had two distinct logical phases. The first phase was to map the views of each axial respondent onto a diagram, such as illustrated in Appendix C, and to discuss, develop and confirm it with the respondent. This phase analysed the categories and terminology used by the particular respondent. The second phase, which started while the first was still in progress, was to group axial respondents' categories into common categories and to identify patterns between respondents from different cultures. It is findings of this second phase that are reported here.

There are some common elements to the perceptions of control by the 30 axial respondents. They all mentioned information and a variety of organisational objectives to which they saw credit control being related, such as achieving levels of profit, cash flow and risk. None disagreed with the working definition of management control adopted in this research (see 1.2 *Management Control and Control Assurance*, and Appendix A) nor questioned its portrayal in diagrams as

providing assurance of achieving organisational objectives. However, for many of them it took on a wider meaning than the word 'control' as they normally understood it in their work. Examination of similarities in control elements mentioned by respondents is beyond the scope of this research, which is concerned with cultural differences in perceptions. Therefore the interesting question, of whether there is a common core within these cultures of what is generally seen as management control, is also outside the scope of this study. The nature of this common core might have implications for 'best practice' and the normative professional pronouncements on internal control (COSO, 1992; CICA, 1994; Rutteman, 1994; Turnbull, 1999), as well as for theoretical descriptions of management control.

6.4 *Unique views of management control*

It was apparent from discussions with axial respondents, and confirmed by comparing diagrams of their views of credit control, that no two respondents had the same view of management control. For example none of them thought the same combination of control elements to be important. Despite some similarities, each respondent's diagram for their perspective of credit control was unique.

The uniqueness of control perceptions, found among the 30 respondents, suggests that the ecological fallacy of cultural stereotyping (Adler, 1983; Hofstede, 1984 and 1991; Bond, 1996) applies also to perceptions of credit and management control. In this case it would be very misleading to assume or to predict how any individual, or even a small group of people, see credit or management control from their cultural background. This looks like an important finding.

It is corroborated by the cultural survey. Indeed initial scanning of the survey responses contributed to emergence of this hypothesis. Survey responses by individuals from each of the 3 national cultures show considerable overlap between the national cultures. Even for the Achieved - Ascribed and Specific - Diffuse dimensions, for which there were significant differences between cultures, a large proportion (19 and 16 respectively) of the generally higher scoring British responses (total 36) fell within the range covered by 90% of Chinese responses. Similarly on each of these dimensions, 25 out of 36 Chinese responses fell within the range covered by 90% of British responses. This supports the finding of Au (1999) that survey measurements of mean cultural values fail to identify considerable overlap in

cultural values between cultures, which may have distinctly difference mean values. Accordingly, while the patterns of responses by each of the national cultures as a whole can be distinguished from each other, it is usually impossible to determine the nationality of an individual only from their replies to these cultural dilemmas. This demonstrates the ecological fallacy of trying to predict an individual's opinions and attitudes from information on the country in which they were brought up.

6.5 Patterns in perceptions of management control

Patterns of differences, between the 30 respondents in their preferences⁴⁰ for control elements, emerged during axial coding. Recognition of these patterns grew from the researcher's feel for the data, and through tabulations of who said what. They were checked with non-parametric statistics.

These non-parametric statistical tests were described above (4.3.7 *Axial coding – Statistical test of axial coding patterns*). Significant differences in preferences for control elements were sought by groupings of managers. These groupings, like those used for the cultural survey, were country of upbringing representing national culture, organisation, function, level of seniority and gender. As for the statistical analysis of the cultural survey, a 10% (2 tailed) level of significance was chosen, and the null hypothesis was that all axial respondents came from a single homogenous population⁴¹.

⁴⁰ Each axial respondent's preference for a control element was identified by its omission or inclusion in the diagram of his or her view of management control. Axial respondents were also asked to identify if any of these control elements are critical or even essential to providing control assurance. Each axial respondent's views were coded on a 5 point Likert scale. The points on this scale were: no mention of a control element; some reference to a control element in his or her description of a control element appearing in their diagram; mention of a control as important to providing control assurance and accordingly included in his or her diagram; most important or critical to control assurance; essential or a prerequisite to control assurance).

⁴¹ Because the axial respondents were selected by theoretical sampling, and so were not representative, the statistical inference refers to the sample and to a logical population. It

The results of this statistical analysis are shown in Table 6.2.

Perceived control elements	Frequency mentioned	Cultural groupings				
		National	MNCs	Functions	Seniority	Gender
Information	30					
Cash flow	29					
Markets	29					
Risk	29				0.0927	
Profit	26	0.0635			0.0270	
Responsibility	25					
People	24					
Monitoring	23	0.0381				
Procedures	20	0.0066		0.0527		
Control environment	19					
Intervention	19					
Motivation	18			0.0238		
External relations	17					
Authorities	16					
Communication	14					
Staff management	12		0.0180	0.0584		
Teams	12	0.0552	0.0019	0.0069	0.0713	
Contract	11	0.0947				
Segregation of duties	11		0.0167	0.0221		
Strategy & resources	11					
Org. Structure & roles	11	0.0482	0.0046	0.0030		
Working capital	11					0.0695
Accountability	9	0.0045				
N = 30						

Table 6.2: Significant differences between cultures in axial coding categories

The grouping that shows the most significant difference for a control element is indicated by printing the level of significance in bold. It is here that there is the lowest likelihood that a pattern of difference between respondents' views on the control element appeared by chance. The frequency is also shown of respondents whose diagrams referred to each control element. This illustrates the results of weeding out axial coding categories that did not appear to explain patterns of differences in control perceptions of managers from different countries (see above, *4.3.7 Axial coding - Cultural patterns in the data*). Where fewer than 9 out of the 30 axial respondents thought a control element important, there was generally

does not infer the characteristics of a real world population (see *4.3.7 Axial coding - Statistical test of axial coding patterns*).

insufficient data to identify patterns between national cultures. This did not prevent rejected categories being brought back into selective coding: because the constraint of only using data from confirmed diagrams of the 30 axial respondents was relaxed for selective coding, views from a wider range of interviewees became available in selective coding.

This statistical analysis confirms the emergent hypothesis that there are patterns, of preferences for control elements, across the three national cultures studied. Therefore, although each axial respondent's view of credit control was unique in its combination of control elements, there were patterns between cultural groupings in who thought some particular control elements are important. There is a parallel here to the distinction between distributions of people sharing cultural values and the ecological fallacy of describing an individual by their cultural background. This is illustrated in Figure 6.2.

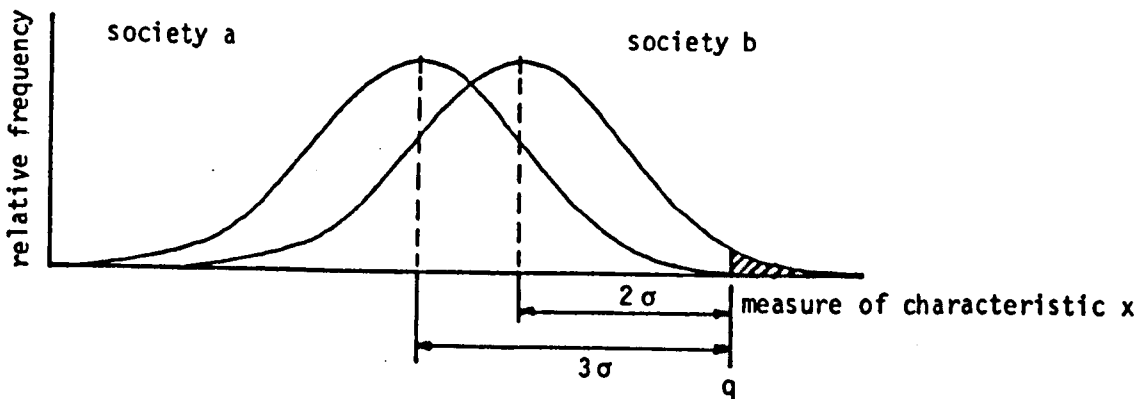


Figure 6.2: Frequencies in two societies of those holding culturally influenced values (from Hofstede, 1984, page 31 Figure 1.5; see also Trompenaars and Hampden Turner, 1997, page 25, Figure 3.2)

Figure 6.2 shows patterns as distributions of the frequency of a cultural characteristic 'x' among people from two societies. Differences between these distributions distinguish the cultures of these societies. Yet an individual whose cultural characteristic falls into the area shared by both societies' distributions, cannot be identified from this characteristic as falling into either society. Nevertheless each individual may have a unique array of values across several cultural characteristics.

Table 6.2 also shows that patterns across other cultural groupings, such as organisational or functional culture, are in most cases distinct from the patterns by national culture. Therefore, although significant differences arose between managers from different countries for 7 control elements, and between the two organisations for 4 control elements, only 2 control elements ('Teams' and 'Organisational structures and roles') distinguished managers by both country and organisation. For one other control element, 'Procedures', a significant difference appeared both by national culture and by another cultural grouping, in this case by function. These instances, where a significant difference appeared by another cultural groupings as well as by national culture, flagged areas where care would be needed in selective coding to ensure that patterns are not mistaken for being by national culture.

This statistical test of axial coding was conducted after completion of the fieldwork and when the selective coding was well advanced. It confirmed generally that the most significant areas of differences by national culture were being addressed in the selective coding. An exception is the significantly different responses between national cultures for the importance of profit in credit control, which was not included in the selective coding. It was not identified until after completion of the fieldwork. It appears to be a function of levels of seniority rather more than of national culture. British more than Czech or Chinese managers, and senior managers gave greater mention and emphasis to profit as an objective for management control. It may reflect a greater concern among senior managers to maintain profitability within relatively mature British markets; whereas building market share may have been of greater concern in the emerging Czech and Chinese markets.

6.6 Conclusions for axial coding

Axial coding in this study was data analysis that sought relationships between categories and initial patterns in the views and values of subjects.

In the case of the cultural survey, these patterns were differences in patterns of shared cultural values among the 109 survey respondents. Despite some disappointment with this survey as a measurement of national cultures, it was clearly successful in measuring several dimensions of national culture, principally Achieved or Ascribed status and Specific or Diffuse. It also distinguished national cultures from other types of culture such as organisational cultures.

Axial coding of the 30 axial respondents' views of credit control flowed rapidly from open coding. This axial coding, as well as that of the cultural survey, provided input to selective coding, which is discussed in the following chapters.

It was somewhat surprising that axial coding produced a finding, namely unique views of management control, which will be included as an important part of the substantive grounded theory (see *14.2 Unique perceptions*). In Strauss and Corbin's (1990 and 1998) grounded theory process, selective coding is seen as necessary to integrate and refine the major categories before theory can emerge. The axial coding finding of unique views of management control is put to one side while selective coding is discussed. However, an eye is kept open for any identical twins of views among the wider body of interviewees involved in the selective coding, as these would challenge the finding of unique views.

CHAPTER 7.

BUSINESS RELATIONS WITH EXTERNAL PARTIES

7.1 Introduction

This introduction sets the scene by explaining the key category of business relations with external parties, identifies interviewees whose views were drawn on for this key category, and gives an overview of the key category and its sub-categories in Figure 7.1. Findings for mainland Chinese, Czech and British views on the key category are reported in the next section. Contextual factors, identified in the findings are then summarised. These findings are then compared to existing theory, before the conclusions for the chapter are summarised.

A number of alternative explanations were considered to those that formed part of the substantive theory. For example, patterns that appeared between managers from different countries, might perhaps have reflected differences in organisational cultures between CoX and CoY, or local social and market factors, rather than differences in national cultures. These alternative explanations were examined, for example in negative case analysis (Henwood and Pigeon, 1992), throughout the course of the fieldwork and subsequent analysis. This examination of alternative explanations is described and discussed in Chapter 13, because it applied to all key categories of the selective coding. However, it is considered in this chapter for one sub-category (namely self interest, mutual interest or mutual reliance as a basis for business relationships), because it altered the findings reached for this key category of external business relations.

7.1.1 The key category of business relations with external parties

This chapter describes findings from selective coding for the first of six key categories. These relate the core category, namely differences by national culture in how managers gain control assurance, to the data found in the study. In doing so, they build a densely, or 'saturated' (Strauss and Corbin, 1998), interrelated network of explanations for how perceptions of management control differ between mainland Chinese, Czech and British managers. These hypotheses form the basis for the substantive theory, which is brought together in Chapter 14.

The key category examined in this chapter is how business relations with external parties may be regulated. Reporting of findings for the key categories therefore starts at the periphery of an organisation. The next chapter examines obligations between people inside an organisation.

Discussion of this category was based on examples of relations with customers, concerning a wide range of control issues. These included selecting or securing new customers, meeting customers' needs in terms of product and service, customer retention, developing long-term profitable business of mutual value to both parties, and securing collection of sales proceeds. However, the focus of interviews was management control, and very often discussion concerned managing disputes, whether with customers, suppliers or contractors. These examples discussed with Czech or Chinese interviewees were generally relationships between Western MNCs and indigenous Czech or Chinese parties.

This key category was identified in the axial coding as a common category referred to by 17 out of 30 axial respondents (Table 6.2). There was therefore wide recognition of its importance. However, no differences appeared during the axial coding in the importance of this category between managers from different countries. Nevertheless, it was apparent that for some managers, use of contracts and third party relationships seemed to be alternatives for regulating these external relations and providing control assurance. Significant differences in the importance of contracts did appear between axial respondents from different countries, as shown in Table 6.2. Differences also appeared in the meaning of external relationships. These differences seemed worth pursuing in selective coding.

Selective coding for this key category was concerned with differences in the importance and meaning of contracts and external business relationships. Richness of data concerning meanings and reasons for importance to providing control assurance, was a feature that distinguished selective coding from axial coding in this study, and which is indicated in Figure 7.1 but absent from Table 6.2. This reflects saturation of key categories that form part of the substantive theory

7.1.2 Interviewees

Selective coding included other interviewees as well as the axial respondents. However, constraints of time and availability of interviewees restricted what could

be discussed with whom. For example, all key categories could not be discussed with each of the 30 axial respondents. Data for selective coding of external business relations was gathered in interviews with 27 out of the 30 axial respondents and with a further 22 interviewees. These 49 interviewees are analysed in Table 7.1

Location Organisation		British	Czech	Mainland Chinese	Other	Of which:		Location Total
						Male	Female	
UK:	CoX	7				7		15
	CoY	4		2		4	2	
	Other		1	1		1	1	
Prague:	CoX	1	6			5	2	16
	CoY	2	3		2	6	1	
	Other		2			2		
Beijing:	CoX	2		6	3	6	5	17
	CoY	0		5	1	3	3	
	Other							
Elsewhere:	Other			1		1		1
TOTAL		16	12	15	6	35	14	49
		=====	=====	=====	=====	=====	=====	=====

Table 7.1: Interviewees for selective coding on external business relations

The constraints of availability and time further restricted what aspects of this key category could be discussed with whom among the 47 interviewees shown in Table 7.1. Therefore the number of people sharing a view, and the number with whom the matter was discussed, are indicated in the following description of the findings in order to demonstrate depth of evidence. Views that were supported by relatively few sources are referenced to the case study database (Appendix B) in order to demonstrate the chain of evidence. Selection of what to discuss with whom was on the basis of theoretical sampling (4.3.2 *Selection of data sources*).

7.1.3 Overview diagram

The patterns that emerged from selective coding for this key category are illustrated in Figure 7.1 with contextual factors. This figure, like similar figures for each of the key categories, is based upon diagrams used in discussions with and presentations to senior management of CoX and CoY.

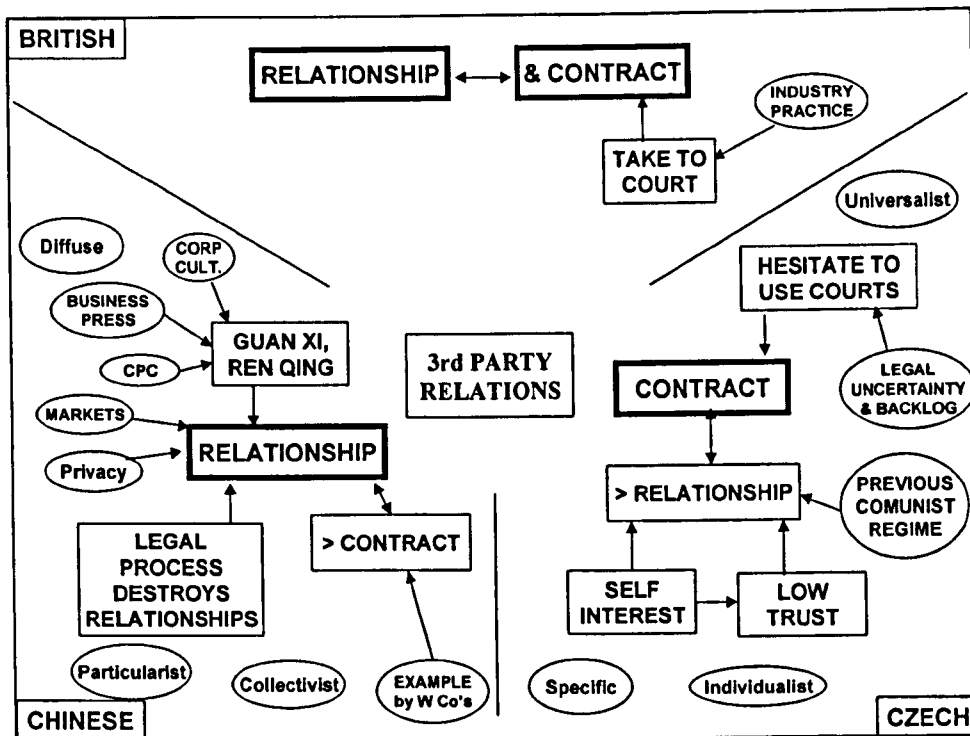


Figure 7.1: Differences in perceptions of business relations with external parties⁴²

The following explanations of findings refer to sub-categories that are listed in Appendix E. The sub-categories that distinguish perceptions by managers from different countries are illustrated by boxes in Figure 7.1.

7.2 Chinese views

7.2.1 Relationships and contracts

While many interviewees recognised the importance of contracts, 9 out of 11 mainland Chinese interviewees thought that in practice relationships are more important than contracts in resolving disputes with customers. This reflected the

⁴² In this figure, square boxes represent categories that contribute or detract from control assurance, and ovals represent contextual factors such as cultural influences. The arrows represent apparent influences. The heavier boxes are control categories that took a central position in relationships between categories, often linking to categories elsewhere in the study, and represent a central feature of perceptions by managers of a nationality. In a few cases words are abbreviated in this and similar diagrams, for example CPC for Communist Party of China, W Co's for Western companies.

general Chinese view that business would only be done with a customer where a relationship had been established; a contract is a mere formality of secondary importance. The traditional Chinese preference for relationships over contracts was explained as follows: a social commitment based on attitudes and beliefs in a relationship is more trustworthy than the written word of a contract, because a contract is open to fraud through forgery or alteration (*interview # 981*). It was claimed to be a common view among Chinese people that a business relationship may develop, whereas a contract is a snapshot at a point in time and not a constraint within which the relationship is limited (*interview # 993*). However, it was recognised that there is growing familiarity with, and use of, contracts by mainland Chinese people and their companies following examples set by Westerners (*interviews # 981, 885, 987*). This Chinese reliance on contracts may tend to be in disputes with Westerners rather than with other Chinese parties (*interview # 771*), while Westerners may nevertheless find it difficult to enforce contracts against Chinese people (*interview # 912*). This appears to be an example of where mainland Chinese managers choose to follow examples set by Western organisations, at least where it is to their advantage.

There was concern about the likelihood that going to court would destroy relationships (*interviews # 777, 804, 1155*) with a counterparty, and even sour relationships with their customers and suppliers (*interview # 756*). One mainland Chinese interviewee recognised that a customer's ability to pay may be more important than a relationship with them (*interview # 987*), thus bringing in the market context. This however was not the view of all mainland Chinese interviewees; indeed this same interviewee who mentioned ability to pay, also described use of relationships in order to persuade customers to pay (*interview # 1383*). Besides the risks of souring valuable relationships, reasons for avoiding settling contract disputes in court included strong preference for dealing with problems privately between people rather than in public (*interview # 771*). This was reflected in the strength of personal relationships of *guan xi* 关系 or *ren qing* 人情. that can be built between Chinese people.

7.2.2 Guan xi and ren qing

All of 8 mainland Chinese interviewees, who discussed the nature of business relationships, recognised that they include an element of *guan xi*, if not also of *ren qing*. Yang (1994, page 1)⁴³ describes *guan xi* as

“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.”

While *guan xi* has a wide meaning, well beyond business relationships, Chinese interviewees gave examples such as networks of connections with customers built through exchange of meals, drinks and cups of tea. *Guan xi* may be acted out, and enhanced, by treating a customer favourably when in difficulties; there would be an expectation that the favour would be returned when fortunes are reversed. A customer offered to take a supplier's staff to a karaoke evening when the customer was seeking business that was of high risk to the supplier (*interview # 858*). A female member of staff was a hero not for her technical competence, but because she could drink mao tai (a Chinese strong drink) with customer managers, and thereby help build *guan xi* relations. Similarly, many foreign MNCs in China employ children of well connected Chinese leaders for their ability to form *guan xi* relationships (*interview # 1155*).

Guan xi relationships might be described as cronyism and can involve kickbacks or other forms of corruption (*interview # 1266*). Both CoX and CoY have strict business principles (*documents # 181, 1233*), that forbid bribery and corruption. No one suggested that business relationships of these organisations in any of the three countries might be built on exchange of valuable gifts or benefits; this possibility was

⁴³ In generating grounded theory, great caution is needed to fit theory to the data, and not data to theory (Glaser and Strauss, 1967; Strauss and Corbin, 1990). In line with the sequence of research, the findings from the data analysis and interpretation is discussed, first with no reference to the literature, except where the literature was involved in that analysis. In this case, the book by Yang (1994) provided ideas, on *guan xi* and *ren qing*, which prompted a fruitful line of enquiry with interviewees. The findings outlined here are based on views put forward by interviewees, not on any theories set out by Yang.

expressly excluded while recognising the possibility existed in other organisations (interview # 846).

Interviewees described *guan xi* as being personal between individuals (interviews # 822, 993), that is *si ren guan xi* 私人关系, rather more than *gong dui gong guan xi* 公对公关系 between organisations (interview # 819).

The reciprocal and long term nature of obligations implicit in *guan xi* relationships was illustrated by the story of the appointment by the Beijing Government of Tung Chien Hua as Chief Executive of Hong Kong. He accepted this post from 1997, not because he wanted it, but because of his moral obligation to the Chinese Government, who had helped him in the 1980's in the rescue of his shipping company (interview # 803; Ch'ng, 1997⁴⁴).

Interestingly, an interviewee pointed out that while the Communist Party of China has discouraged *guan xi*, books on 'relationship marketing' are appearing in China. As a result people are beginning to see *guan xi* in a different way and try to use it to improve their businesses (interview # 876).

While Yang (1994) describes similar relationships in Eastern Europe and the former Soviet Union, nothing similar among Czech or British people was identified during this study.

Yang (1994) describes *ren qing*⁴⁵ as peculiarly Chinese and having the following characteristics. Firstly, it is ethical and emotional feelings between humans beings. Secondly it is 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 it involves emotional bonds of mutual aid between two people. Interviewees explained

⁴⁴ Reference is made here to Ch'ng, 1997, because this corroborates the story recounted by an interview of Tung Chien Hua.

⁴⁵ Yang's (1994) descriptions summarised here of *guan xi* and *ren qing* are composites of the wide range of meanings that she found within mainland China for these terms. In the present study there was confirmation of these meanings (interview # 1209), and also some variability is how the terms were used. One interviewee (interview # 1116) used Yang's distinction of reciprocity, but switched the terms, describing *ren qing* as based upon an exchange of favours, and *guan xi* as based on long term relationships such as between class mates.

that *ren qing* can arise as long term relationships between Chinese people who share common experiences such as between class mates from school. This was illustrated in the anecdote of a company that chose its auditors on the basis that their controller's son was a class mate of one of the audit firm's staff, who should therefore be helped (*interview # 858*).

Ren qing was also described as being part of strong interpersonal relationships within a company, such as between a supervisor and subordinate. Furthermore, it was pointed out that Chinese people may invest in *ren qing* as an alternative to reliance on corporate trust that might be more prevalent among Western staff (*interview # 993*).

In summary, the importance of personal relationships to regulating relations with external parties emerged as a characteristic feature of Chinese managers' views on providing control assurance. It is this sub-category that is emphasised with a heavier box in Figure 7.1. Personal relationships will be seen as a recurring theme in Chinese views of management control.

7.3 Czech views

7.3.1 Trust and relationships

While there was plenty of evidence of corruption in public life outside CoX and CoY (*interview # 282, Central European Business Weekly # 393 & 1027, Prague Post # 414, 540, 591 & 1104, Fleet Sheet # 420, Prague Business Journal # 1107*), there was an apparent disinclination among Czech people to build *guan xi* type relationships such as through exchange of favours (*interview # 1065*). This was illustrated by the comment that accepting a free evening at the theatre is not a conflict of interest as there is no obligation to do anything in return (*interview # 1035*).

This disinclination to build relationships may also illustrate a low level of trust between people and organisations. There was apparently a quandary for Czechs during the Communist era of whom they could trust. Czechs were described in general as trusting nobody but their friends (*interview # 1019*). To trust one's best friend raised the question of who that might be. In these circumstances, trust might have been reserved for one's immediate family (*interview # 1095*).

Low trust was explained as arising from the anonymity inherent in the previous Communist regime (*interview # 279*). However, it was also suggested that, before the unleashing of the market economy from 1989, relationships were important in order to secure supplies of goods and services (*interview # 1077*). Therefore, while low trust was traced to the previous Communist regime (*interview # 1019*), a reason for reliance on relationships was explained as disappearing with that regime.

Czech self interest, which is illustrated in Figure 7.1, is discussed below (7.4.1 *Trust and relationships*), where it is compared to British and Chinese views.

7.3.2 Contractual relationships

Contracts appeared to be more important to Czechs than to either British (*interview # 1095*) or Chinese managers. Seven out of ten Czech interviewees who expressed an opinion saw contracts as more important than relationships for resolving disputes with third parties, two saw contracts and relationships as of equivalent importance and only one rated relationships ahead of contracts. At the time of the first research visit to Prague in September 1997, taxis could charge whatever fares they cared to display (*interviews # 567, 363*).

"If a tourist is stupid enough to take the taxi, or doesn't see the price as it is covered over, they must still pay. It's no excuse that the price is too high; the market is unprotected - that's the deal when they get in the taxi" (interview # 348; also Prague Post # 585).

A further example given was of travel agents, who had so little regard for norms of reciprocity, that they could leave their customers stranded abroad (*interview # 561*). When a member of staff walked out of a job without repaying their training expenses, this was justified by the Czech person who resigned on the ground that repayment was not written into the contract of employment. In contrast British managers were said to feel aggrieved because repayment was clearly understood (*interview # 267*).

This higher regard for contracts than for business relationships is in a context where enforcement of contracts through the Czech courts may be uncertain and may take many years (*interview # 279*). It appeared to arise from high Czech concern that the rule of law should be respected, and from high Czech regard for individual based morality. While Czech interviewees described hesitancy in taking people to court,

this appeared to be because of weak legal structures (*interview # 405*) and shortage of court staff, which results in delays and uncertainty (*interviews # 291, 312, 483, 519*; this is discussed more fully below in *11.2.1 The law, public regulations and ethics*). Unlike Chinese hesitancy to use courts, this did not appear to arise from distaste for publicising disputes. Indeed there was evidence of the two organisations, CoX and CoY, taking legal action against non-paying customers as a matter of routine (*Email # 558; manual # 309*). (Problems of legal enforcement and attitudes to the rule of law are discussed more extensively below in *11.3.1 The law, public regulation and ethics*).

In summary, importance of contracts in regulating relations with external parties emerged as a characteristic feature of Czech views on management control. It is therefore emphasised with a heavier box in Figure 7.1.

7.4 British views

7.4.1 Trust and relationships

A pattern was identified of the extent that managers are prepared to expect considerations of self interest, mutual interest, or in extreme cases of mutual reliance as underpinning external relations. The view of one British manager, for which another had some sympathy, was that it is realistic for trust in these relationships to extend so far that one organisation could rely on another for its survival. Their British compatriots tended to see this situation as rash or forced by a dominant organisation on its weaker suppliers or customers. Despite these views of extreme trust, the weight of opinion⁴⁶ among 10 British managers put their expectations between those of 10 mainland Chinese managers, who had the strongest expectations for mutual interest or reliance, and 9 Czech managers, who had the strongest tendency towards expecting self interest.

However, checking alternative explanations, which will be described more fully in Chapter 13, showed that these differences between managers from different countries were not statistically significant for this sub-category of self interest, mutual interest

⁴⁶ Weight of opinion for this sub-category was based on an intensity scale ranging from high trust and reliance on other parties to low trust and self reliance (Appendix E).

or mutual reliance, at a 10% level of significance. It was still not significant within each MNC, that is after controlling for organisational culture. The results of these statistical tests for this sub-category are illustrated in Table 7.2.

This testing of alternative explanations does not disprove the existence of a pattern, between managers from different countries, of self interest, mutual interest or mutual reliance. It merely fails to corroborate what emerged from largely qualitative analysis. It indicates that there is an 18% likelihood ($p = 0.178$) that this apparent pattern by country (managers grouped by country of upbringing or national culture) arises either by chance or from other factors, either singly or in combination. Other factors that might account for, or contribute to, this pattern include local market forces or the stronger expectation shown by Finance staff for self interest.

	Cultural groupings						
	National	MNCs	Locations	Sites	Functions	Seniority	Gender
29 managers in all employments	0.178	0.373	0.186	0.370	0.372	0.575	0.479
15 managers in CoX	0.290	⁴⁷	0.152	0.152	0.353	0.229	0.783
13 managers in CoY	0.980	⁴⁷	0.977	0.977	⁴⁷	0.854	1.000
Statistical test	Kruskal-Wallis	Mann-Whitney	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Mann-Whitney

Table 7.2: Significance of differences in patterns of expectations of self interest, mutual interest or mutual reliance⁴⁸

Table 7.2 shows that there is a 63% ($1 - 0.373$) likelihood that the pattern of expectations reflects differences between the 2 MNCs, such as their corporate

⁴⁷ 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.

⁴⁸ Numbers within this table represent the statistical probability that the opinions come from a single homogenous population, not from different cultural groups. Therefore none of these patterns were significant at a level of $p < 0.1$.

cultures or type of business. This is a lower likelihood than the 82% ($1 - 0.178$) likelihood that it reflects differences by country of upbringing. Patterns within each MNC were checked in order to control for difference between the MNCs. Views within neither MNC showed as strong a difference by country of upbringing as shown by all 29 managers, because a manager from outside CoX and CoY gave as strong an opinion as any of his compatriots. It can be seen from Table 7.2 that the differences between countries of origin was much stronger for CoX managers than for CoY managers; indeed for the latter differences by national culture were negligible. This suggests that factors related to the MNCs, such as their corporate cultures or type of business, may moderate national culture or other effects from country of upbringing.

Although not corroborated by the statistical analysis, this category of self or mutual interest or mutual reliance appears to be consistent with patterns of reliance on contracts or relationships, particularly as manifest between Chinese and Czech managers. It is also consistent with explanations noted above for a Czech tendency towards low trust. Czech self interest is therefore retained in the Figure 7.1 illustration of patterns that emerged for this key category, although at this stage of analysis it should be interpreted with caution.

7.4.2 Contractual relationships

Most British managers recognised the importance of relationships as well as contracts for regulating business dealings with external parties. Among the twelve of them who gave their view, 11 saw both contracts and relationships as important. The weight of opinion among these 12 British interviewees was evenly divided⁴⁹ between favouring the use of contract or of relationships for regulating affairs and resolving disputes with third parties.

The relatively greater British than Chinese emphasis on contracts was illustrated by a British manager who saw a particular problem in China as an example of lack of contractual clarity (*interview # 630*). In contrast, Hong Kong and mainland Chinese managers discussed the same problem mainly in terms of third party relationships

⁴⁹ Weights of opinion are generally expressed in terms of approximate fractions, rather than in decimals or percentages, so as not to imply any accuracy to within even 1 decimal place.

without mentioning contracts (*Meeting # 861*). A Chinese manager noted that relationships as well as contacts are important in Britain, and illustrated the point with the apparent influence of Bernie Ecclestone over the British Labour Party. At that time, there was much discussion in the media on whether tobacco advertising should be associated with motor racing. The same manager also noted that if there is a problem, British people first tend to think about the contract, whereas Chinese managers tend to think of to whom they should talk (*interview # 1116*).

A British manager described doing business, at a time of rapid change, on the basis of a draft, not legally binding, contract. So while neither party is committed, there is a set of de facto rules. In this case it was expected that disputes be resolved more often by “getting together to find solutions to joint problems”, rather than by confrontation, “which tends to close down opportunities for solutions” (*interview # 1146*).

Some British interviewees described using the relationship at the first stage problems are encountered, then negotiating how the contractual terms are to be applied, and in the end taking legal action such as taking customers to court (*document # 60; interview # 93*). Referring to the contract was seen as likely to sour the relationship, for example making difficult any renewal of the contract at its expiry, but as appropriate where you do not mind losing the customer (*interview # 1158*). In the progression from soft use of the relationship to hard legal action (*manual # 228*), the latter was seen as being important to show that you are not a “soft touch” (*interview # 1188*), “to tell the customer we expect them to abide by the contractual terms, to give a clear signal to the industry” (*interview # 159*). This concern, to show the market that you are willing to enforce your contractual obligations, contrasts interestingly with a Chinese concern to avoid gaining a reputation in the market of one who overthrows relationships by taking legal action.

Other British interviewees talked of using a relationship within parameters set by the contract, or of using both relationship and contract in parallel, developing each of them, while keeping the two in step. So, while trying to resolve disputes amicably, even looking to see what can be done outside the terms of the contract, one would at the same time manage the contract and risks as well as the relationship (*interview # 1143*). In these cases any distinction between using the relationship or the contract

for resolving disputes may become indistinct:

“You haggle and negotiate, remind them what they said, but not actually bring out the lawyer and say ‘the contract says this’ ” (interview # 1125).

There was mention of the effect on corporate reputation that taking a customer to court might have. However, this seemed to be related to the context of practice in a particular industry, as “the number of times that leaders in our industry sued for payment in a year, you could count them on one hand” (interview # 1125). There was also some concern that a large MNC might receive bad publicity if it vigorously enforced contracts against small businesses (interview # 1158).

In summary, reliance on both contracts and relationships emerged as a characteristic feature of British views on providing control assurance with regard to external relations. They are both emphasised with heavier boxes in Figure 7.1, where links between them and other sub-categories are illustrated.

7.5 Cultural and other contextual factors

A progression has been seen in this chapter from high importance to Chinese managers of personal relationships, through British managers relying on both relationships and contracts, to Czech reliance mostly on contracts. This section relates this progression to cultural and other contextual factors as indicated in the field data, cultural survey and to national cultures of the 3 countries. At this stage of analysis, prior theory of relationships between management control and national culture is avoided, although characteristics of national cultures are taken from prior cultural research and theory.

Personal relationships and *guan xi* were noted (5.1 *Mainland Chinese culture – 4. Importance of relationships*) above as features of Chinese culture. In contrast, Czech individualism, with its rejection of collective consciousness (5.2.2 *Individualism*) may explain Czech managers’ tendency to look to contracts rather than relationships for control assurance.

Group orientation is the essence of the cultural dimension of Collectivism (Hofstede, 1991; Trompenaars and Hampden-Turner, 1997). Personal relationships may be a reflection of the relatively Collectivist mainland Chinese culture found by Cragin (1986), shown in Table 5.2 and by Trompenaars (1997) shown in Table 5.3. The

Specific - Diffuse cultural dimension also deals with how people relate to each other (see Appendix A). Personal relationships, *guan xi* and *ren qing* may therefore also be manifestations of the relatively Diffuse Chinese society found by Trompenaars (1997), shown in Table 5.3 and this cultural survey (Table 6.1).

Results of statistical corroboration of association between cultural dimensions and selective coding categories of control perceptions will be described in Chapter 13. At this stage it can be noted that support is given by significant correlations between the Specific – Diffuse dimension and reliance on contracts rather than on relationships, and between this dimension and instrumental relationships rather than relationships based on feelings of *guan xi* and *ren qing* (Table 13.6)⁵⁰.

Universalism – Particularism is concerned with the extent that people think that affairs should be regulated by universal rules or by particular situations, such as by relationships with particular people (see Appendix A). Czech preference for contracts may therefore be a manifestation of Universalism. This is consistent with the relatively high Czech Universalism found here in the cultural survey (Table 6.1).

These cultural dimensions are therefore included as contextual factors in Figure 7.1.

The progression of perceptions from those of mainland Chinese through British to Czech managers is consistent with many of these measures of cultural dimensions. Exceptions include British culture being found by Trompenaars (Table 5.3) to be as Specific as Czech culture, and being found in this cultural survey (Table 6.1) to be more Specific than Czech culture. Also Trompenaars found British culture to be more Universalist than Czech culture, although the opposite was found in this cultural survey. These exceptions are therefore omitted from contextual factors illustrated in Figure 7.1.

It is tempting to try to distinguish institutional from cultural factors in what appears from this research to be associated with differences in perceptions of management control. However separating them is problematical. Many definitions of institutions

⁵⁰ Absence of support from the corroborative statistical tests does not refute findings of other associations between management control and national culture. This is because of doubts about the construct validity of indices calculated here from the cultural survey. This point will be explained (13.3 *Testing association with cultural dimensions*).

include culture (Meyer et al., 1991; Scott, 1995). Hofstede's model of cultural patterns (1984, page 22 with his Figure 1.4) shows institutions reinforcing cultural value systems. Gray (1988, page 7 with his Figure 2) shows effects of institutional consequences from societal or cultural values looping back to influence these same societal values. For the purpose of this dissertation, cultural factors are distinguished merely from other contextual variables; no claim is made that the cultural factors exclude institutional factors, nor is any attempt made to separate institutional from other contextual factors such as economic conditions.

Other contextual factors appearing in the data include corporate culture concerning business ethics, industry practice, uncertainty and delay in legal process, influence of Western business practice and the business press, as well as of the Communist Party of China and the previous Communist regime in Prague. These are illustrated in Figure 7.1.

7.6 Relating findings to the literature

This chapter has up to this point sought to build findings of perceptions of management control concerning external business relationships and to relate them to national culture and other contextual factors. Findings for this key category are taken to be complete as far they can be built from data in this study. These are now compared to literature on cross-national differences in attitudes to contracts and relationships. This point marks a break in the grounded theory research process: until now findings have been derived from the data without reference to theory of how management control may relate to national culture. The purpose from here is to corroborate the findings and to relate them to existing knowledge. Identifying both consistencies and inconsistencies between findings and existing literature helps explain how this study relates to existing bodies of knowledge, either confirming, or extending, or refuting it.

7.6.1 Chinese regulation of transactions by relationships or by contracts

As Boisot and Child (1988) point out, if society is expected to progress from status to contract, this has yet to occur for mainland Chinese society. Development of Chinese institutional regulation of transactions does not match Western style markets. This is because of Chinese reliance on trust and social ties, including *guan*

xi type relationships, more than on contracts (Boisot and Child, 1996). Reliance on legalistic behaviour is likely to be offensive as it indicates lack of trust (Child and Yan, 1996). Access to mainland Chinese markets may depend upon *guan xi* connections (Bjorkman, 1996; Fukasaku and Lecomte, 1998).

Clarke (1996) puts forward interesting arguments about whether legal rights are a necessary precondition for economic development, or whether economic development creates a demand for, and stimulates development of, enforceable legal rights. He argues that relationship transactions may diminish the need in Chinese society for universally enforceable contractual and other legal rights. Thus relationship based solutions, cultural Particularism and local partiality may stand as impediments to development of Western style market transactions. However, continuing economic reform and growth of market based transactions may perhaps create demand for universal legal rights and solutions. Indeed mainland China has developed its legislation on contract law since the fieldwork, following European, US and UN models, although Scoggin and Braude (1999) still expect problems to arise from incompatibilities between the new legislation and traditional Chinese practice and law.

It is interesting to note that none of the cross-national empirical research into management control, identified in Chapter 2, studied contracts or other regulation of business relations with external parties. Findings therefore cannot be compared to empirical research.

7.6.2 Nature of Chinese relationships

Literature by Child (1994), Yang (1994), Carver (1996), Lu (1996) and Ch'ng (1997) on the nature of Chinese relationships was outlined above (5.1 Mainland Chinese culture – 4. importance of relationships).

Yang's work (1994) is based upon first hand fieldwork in mainland China. She shows the origins of *guan xi* in the Confucian concept of *li* (5.1 Mainland Chinese culture – 4. Respect for age and hierarchy). She however, fills in its provenance since the time of Confucius around 500 B.C. with reference to the 'knight-errant' tradition that emerged in the Warring States period of 400 - 221 B.C., through subsequent dynasties including that of Qing (1644 – 1911 A.D.). During these

developments, the use of relationships to regulate external business relations took on various forms.

"The high degree of commercialisation in late imperial China was not made possible by a set of systematic commercial laws regulating business transactions, since the Chinese legal system was primarily concerned with penal law, but by the institution of the 'intermediary-guarantor'. Two merchants entering into a contract did so through the introduction and mediation of an intermediary of good reputation who assumed personal responsibility for ensuring that each side kept their word. What gave business agreements security was not a legal system of sanctions, but the personal authority of the intermediary" (Yang, 1994, pages 151 - 152).

The practice of *guan xi* and similar practices was not constant, but died down or burst out at various points in its long history. It largely disappeared after 1949, when the Communist morality of equality and fight against privileges of the old regime put it beyond the limits of acceptable behaviour. At the same time, party allocation of resources and jobs removed most of the transactions that *guan xi* supported. Its major revival she places during the intense chaos and terror of the Cultural Revolution of 1966 - 1976. Cheng (1986) supports this in her autobiography of the time.

Reasons given by Yang (1994) for the re-emergence of *guan xi* during the Cultural Revolution include cultural, institutional and economic factors. Cultural reasons include the inherent tendency to foster relationships and gift giving from traditional Chinese attitudes and practices that were never wholly eradicated by Communism. The lack of *ren qing* and humaneness⁵¹ between people during the chaos of the Cultural Revolution, as well as intrusion of state control into even family affairs, led to a counteraction of introducing some humaneness into relations. Institutional reasons included the explosion of mutual mistrust between people and collapse of moral norms as people retreated into ever smaller private circles. Economics also provided the necessity of obtaining food, clothing and shelter at a time when production and distribution collapsed, with the added imperative for urban parents to

⁵¹ Humanity or humaneness, *ren* 仁, was for Confucius (1997) the supreme virtue, or perfect virtue (de Barry, 1960).

do anything to prevent separation and forced exile of their children to poor rural areas. Therefore in a time of extreme uncertainty and institutional chaos, Chinese society drew on its traditions to develop networks of interpersonal relationships. Research (Boisot and Child, 1996) shows that this preference for relationships over contracts for regulating commercial affairs in mainland China is not diminishing.

The meaning of *ren qing* found in the field during this study was generally, although not universally, consistent with what is described by Yang (1994). However, some authors give alternative interpretations of *ren qing*. Dana (2000), without quoting any empirical research, describes *ren qing* as the moral premise in Chinese society of people towards each other, upon which rests *guan xi* that is the norm for carrying on business in Chinese society. Chen (1995), like Dana, describes *ren qing* as the moral principle that justifies *guan xi*. However, he develops this further in contrasting *guan xi*, as interpersonal connections that can be drawn on for exchange of favours, to *ren qing* as the burden of obligations that go with *guan xi*. *Ren qing* is therefore, according to Chen, a precondition for establishing *guan xi*, the two are so closely intertwined that they are at times inseparable. Nevertheless, and in contrast to Dana, Chen describes *ren qing* as functioning only in social exchanges rather than in economic exchanges. However, in this study, and consistent with empirical research by Yang (1994), *guan xi* was found generally to be distinct from *ren qing* and apparently practised without presence of *ren qing*, rather than dependent upon it.

Ch'ng (1997) explains how the building of long term relationships, often during banquets, cocktails and rounds of golf, are much more important to East Asian business people than contracts. He attributes this importance of relationships to firstly Confucian tradition, secondly weak legal framework and law enforcement (discussed below 11.2 *Chinese attitudes*), thirdly preference for resolving disputes through negotiation rather than legal settlement, and fourthly the Particularistic nature of human relations under Confucian teaching.

Various aspects of Chinese relationships found here are supported in the literature. Child (1994) and Ch'ng (1997) mention the Chinese preference for dealing with problems privately rather than in public, lest the parties suffer the shame of losing face. Clarke (1996) gives an interesting reflection on this personal nature of business relationships. He describes mainland Chinese enterprises refusing to pay debts on transactions managed by former employees, while a debtor may pursue a debt against

the current employer of such a manager rather than against the enterprise with which the transaction was made.

Ch'ng (1997) describes how Orientals find it difficult to enter into a contract without first establishing a relationship, "based on the belief than one cannot negotiate trust and mutual respect into a contract" (ibid. 66). He also describes how a personal relationship between Oriental business parties takes precedent over any contract, and allows their business to develop beyond contractual constraints. He compares the Western meaning of sincerity conveying an intention, to the Easter meaning of how one behaves in a relationship. The former suggests honesty of contractual intent, whereas the latter requires an attitude that guides one's behaviour. The Chinese concept of sincerity is based upon the Confucian value of *xin* 信, indicating good faith and trustworthiness that is particularly appropriate in relationships with friends (Dawson, 1993):

"Everyday I examine my character ... am I untrustworthy in my dealings with friends?" (Confucius, 1993, 1.4).

7.6.3 Whitley's institutional model of management control

Whitley (1999) places the extent and ways that societies generate trust between business partners among institutional features that affect characteristics of management control systems. He contrasts relying on formal institutions, such as contracts, to relying on personal knowledge and recommendations. He uses Chinese family businesses to exemplify close inter-company relations based largely on personal trust and commitment, that typically arise under conditions of considerable insecurity and lack of stable institutional procedures for governing relations between strangers (Whitley, 1994).

This therefore links Chinese relationships to market turbulence, which was described in Chapter 5 for mainland China, and to uncertain legal institutions that will be described below in Chapter 11 for mainland China. His analysis explains higher reliance on personal relationships in mainland China relative to the UK. However, Chapter 5 described high economic and institutional uncertainty in the Czech Republic compared to the UK. Uncertainty of Czech Republic legal institutions will be described in Chapter 11. This study found a tendency for Czech, relative to British managers, to show lower trust in their external parties. However, this study

found Czech managers tending to show the highest reliance on contracts, which is not consistent with Whitley's assumption. This indicates that more independent variables than levels of trust and uncertainty would be needed in any deterministic model to predict the extent that contracts are relied on for management control. To be fair to Whitley, his model does not profess to predict the extent that contracts are used. Instead it uses the level of trust and reliance on contracts as one of several independent variables to predict the characteristics of control systems that may be expected in different societies. Because he assumes high positive correlation between level of trust and reliance on contracts, his model may not fit the Czech Republic well. This suggests that his model may need some refinement, if it is to cover the Czech Republic. We will see in the following chapters to what extent his model and its predictions fit the findings of this study (9.10.1 *Literature on Chinese hierarchy*, 11.6.2 *Private law in China and the West*, 12.5 *Relating findings on systems logic to the literature*).

7.6.4 Fukuyama on trust

Fukuyama (1995) places trust centrally between cultural forces of ethical habit and economics. Social capital⁵², arising from the prevalence of trust in society, enables people to associate voluntarily, such as within companies, and gives propensity for organisational innovation.

He describes Chinese society as 'familistic' and places it near the low end of a scale of social capital. Consequently Chinese businesses are usually relatively small and often based on a family. He sees the Czech Republic as benefiting from retention of a nascent civil society during its communist regime, so that it had sufficient social capital for a rapid generation of its capitalist private sector following the Velvet Revolution of 1989. Using his analysis, British society has benefited from its Protestant history, including absence of a lasting Counter Reformation, so, with a relatively large stock of social capital, has been able to develop significant business organisations.

⁵² Fukuyama (1995, page 10) defines 'social capital' as "the ability of people to work together for common purposes in groups and organizations"

However, it seems that the trust touched on in this study may be somewhat different from the trust discussed by Fukuyama. Firstly, trust inquired into here was between people entering into transactions for the supply of goods or services, whereas Fukuyama is concerned with trust enabling spontaneous sociability and formation of associations. Secondly, a clear distinction was seen here between Chinese relationships with members of in-groups (Triandis, 1995) and relations that Chinese managers have with other parties: *guan xi* and in particular *ren qing* are features of Chinese efforts to use cultural forces within in-groups to bolster relationships. It appears that Fukuyama has not recognised the importance of in-groups (Hofstede, 1991; Tayeb, 1994; Yang, 1994⁵³; Triandis, 1995), and the value to Chinese societies of high social capital within in-groups defined by personal relationships (Ch'ng, 1997). Accordingly, as shown in this study, relationships within Collectivist⁵⁴ culture of mainland Chinese culture tend to have a very different nature from those of Individualistic cultures, such as those of the Czech Republic and UK. Whereas the former may be based upon ethics of to whom one should show support, the latter are based upon self interest and ethics of individual conscience.

7.7 Relating findings to cultural theory

Comparison of findings is now moved to more specific theory concerning national culture.

Trompenaars and Hampden-Turner (1997) link use and reliance on contracts to Universalist culture. This is consistent with the finding here of a Czech tendency for high reliance on contracts and the significantly greater Universalism found by the cultural survey (Table 6.1) in Czech than in British culture, and even greater Universalism in Czech than in mainland Chinese culture. It is however not so consistent with Trompenaars' findings (Table 5.3): he found Universalism to be

⁵³ Yang (1994) writes of the 'insider/outsider' dichotomy of Chinese society.

⁵⁴ Although Fukuyama (1995) ties his scale of social capital to Individualism and group orientation, it appears that he uses these in a subtly but importantly different way from the concepts described by Hofstede (1984 and 1991) and Trompenaars (1993 and Trompenaars and Hampden-Turner, 1997). Whereas these researchers place US culture as extremely Individualist, Fukuyama argues that it is group oriented.

greater in British than in Czech culture, which in turn was more Universalist than mainland Chinese culture.

Triandis (1995) links focus on contracts in guiding behaviour to Individualism. This is consistent with Trompenaars' measure (Table 5.3) of very high Individualism in Czech culture.

Yang (1994) relates *guan xi* to both group orientation and inequality of status between people. She describes how Chinese people subscribe to a relational construction of persons. According to this, personal identity and autonomy are based upon lack of clear-cut boundaries between oneself and others. They are also based upon differences both in moral and social status and in moral claims and judgements of others. This suggests that Chinese *guan xi* type relationships may be associated with High Power Distance as well as with Collectivism.

7.8 Conclusions on business relations with external parties

Findings from selective coding for this first key category show that Chinese managers tend to rely more on interpersonal relationships than on contracts for regulating business with external parties. In contrast, Czech managers tend to rely on contracts, while British managers tend to rely on both relationships and contracts. This was related both to national culture and to other contextual factors, such as market and industry conditions.

These findings were shown to be consistent with a fairly extensive set of literature for mainland China, which compares it to Western societies such as that of the UK. This literature adds credibility to these findings for mainland Chinese and British managers. Some inconsistencies were found between the findings for Czech managers and assumptions made by Whitley (1999) in his institutional model of management control. This casts some doubt on the applicability of his model to the Czech Republic. Inconsistency was also found with Fukuyama's (1995) comparison of trust in Chinese, Czech and British societies. This partly follows from analysis here of external relations for business transactions such as credit sales, whereas Fukuyama is concerned with trust for spontaneous formation of associations. Secondly, he appears not to appreciate the well documented importance in Chinese society of interpersonal relationships within in-groups.

These findings form part of the substantive theory that is discussed in Chapter 14.

CHAPTER 8.

OBLIGATIONS OF RESPONSIBILITY & ACCOUNTABILITY

8.1 *Introduction*

The structure of this chapter follows that of Chapter 7. This introduction explains the key category of obligations, identifies the interviewees who contributed to it, and gives an overview of the key category and its sub-categories in Figure 8.1. Findings concerning differences in views of mainland Chinese, Czech and British managers for responsibility and for accountability are reported in the next section. Contextual factors identified in the findings are then summarised. These findings are then compared to the existing theory and literature, before the conclusions for the chapter are summarised.

8.1.1 *The key category of obligations of responsibility and accountability*

The previous key category of business relations with external parties was concerned with management control at the organisational periphery. In a sense it was concerned with moral or legal obligations that bind parties to arrangements between organisations. This chapter moves to obligations within an organisation. It sets the scene for the next chapter, which is concerned with internal relations within an organisation.

It should be understood that this study considers accountability within organisations, or intra-organisational accountability, not external accountability to outside stakeholders (Power, 1997). Nevertheless, the findings may have implications for corporate governance, in so far as it relies on accountability or equivalent control components within an organisation: recommendations for at least UK listed companies appear to refer to intra-organisational accountability (Committee of Corporate Governance, 1998; Turnbull, 1999⁵⁵). This study inquired into

⁵⁵ The Combined Code, by the UK Committee on Corporate Governance (1998), includes financial reporting, internal control, and audit committees and auditors, under the heading of Principles 'D. Accountability and Audit'. Paragraphs on 'Internal control' are concerned with the board of directors maintaining a sound system of internal control in order to

perceptions of management control within the 6 sites. Findings do not therefore extend to accountability between head offices and foreign subsidiaries, that is to accountability at a distance (Roberts and Scapens, 1985; Kirk and Mouritsen, 1996).

Responsibility is considered along with accountability, because the two categories were found to be either closely related or alternatives in providing control assurance.

Responsibility was widely seen among the axial respondents as important to credit control. It was included in 25 of their 30 diagrams; that is in diagrams for all the 10 Czech, 7 out of the 9 Chinese, and 8 out of the 11 British axial respondents. Accountability was also mentioned by 7 of the 11 British respondents in their perspective of management control⁵⁶, but by none of the Chinese and only 2 out of the 10 Czech respondents. Patterns of differences in the importance of accountability were statistically significant among the 30 axial respondents when grouped by national culture, as shown in Table 6.2. This table also shows that differences between different MNCs, functions, levels of seniority and gender were not significant. However, of even greater interest than differences in their importance, or in the frequency that these categories were mentioned, were differences in meaning by which these concepts were understood by managers from different countries. Accountability and responsibility, and in particular the meanings of these categories, were therefore included within selective coding.

Although selective coding for this key category was concerned very much with differences in meaning, comparison of the numbers of managers, and the weight of their opinions within each cultural group, provides a convenient means to summarise the largely qualitative analysis.

safeguard shareholders' investments and the company's assets, and are separate from paragraphs on financial reporting and audit. 'Internal control' therefore appears to fall within the Accountability, at least as much as the Audit, part of heading D. This suggests that the principles include an internal element of accountability. Paragraph 18 of the Turnbull Guidance (1999) refers to "employees have ... accountability for achieving objectives".

⁵⁶ Some British interviewees, including the axial respondent whose diagram is included in Appendix C, mentioned accountability but did not distinguish it from responsibility. These interviewees were coded as mentioning responsibility, not accountability.

8.1.2 Interviewees

Selective coding for this key category extended to all of the 30 axial respondents and also to 25 other interviewees, giving a total of 55 interviewees as analysed in Table 8.1. However, as was the situation for other key categories, not all aspects of this key category could be discussed with all of these interviewees. Therefore the number of people sharing a view, and the number with whom the matter was discussed, are indicated in order to demonstrate depth of evidence.

Location	Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
						Male	Female	
UK:	CoX	9			1	9	1	17
	CoY	4		2		4	2	
	Other				1	1		
Prague:	CoX	1	8			7	2	17
	CoY		5		1	4	2	
	Other	1	1			1	1	
Beijing:	CoX	2		7	5	8	6	21
	CoY	1		5	1	4	3	
TOTAL		18	14	14	9	38	17	55
		=====	=====	=====	=====	=====	=====	=====

Table 8.1: Interviewees for selective coding on responsibility and accountability

8.1.3 Overview diagram

The patterns and contextual factors discussed here for responsibility and accountability are illustrated in Figure 8.1. As with similar figures for other key categories, Figure 8.1 illustrates only features that distinguish perceptions by managers from different countries of providing control assurance.

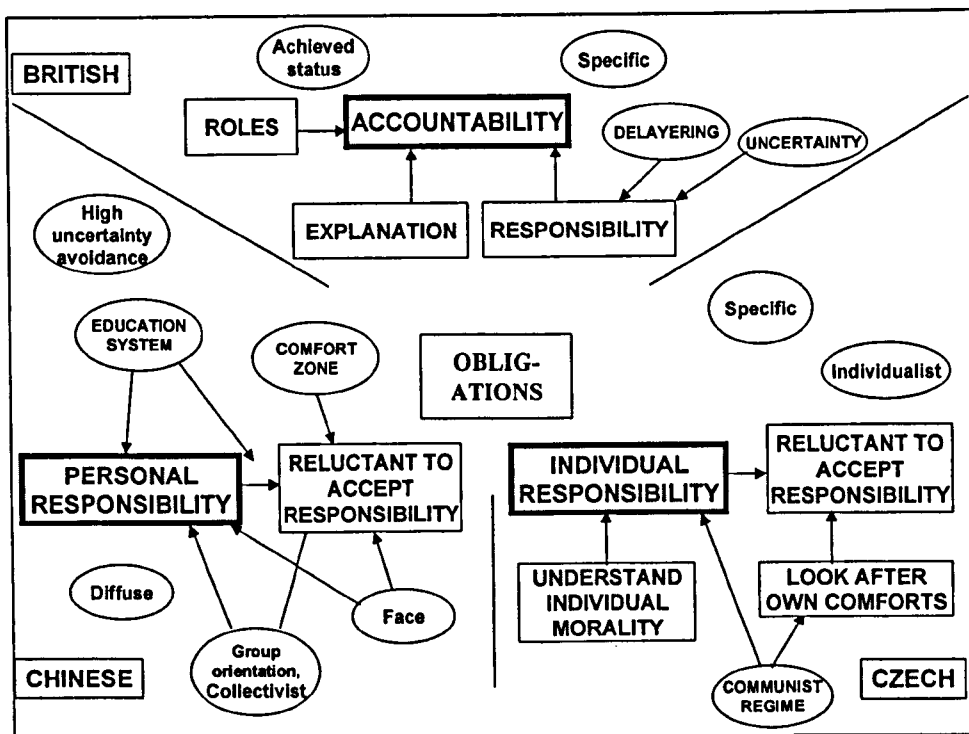


Figure 8.1: Differences in perceptions of obligations of responsibility and accountability⁵⁷

8.2 Responsibility

8.2.1 Chinese views

For those mainland Chinese people who explained their sense of responsibility, it appears to be a matter of how they relate to their in-group, that is the social group in which they seek their identity (interviews # 1320, 876, 1155).

"If I give credit to a customer, they cannot pay me, what is the reaction of the other people, my colleagues?" (interview # 987).

If the organisation lost a significant sum because the interviewee failed in his responsibilities, he would not know what he could say to his boss⁵⁸; he would feel

⁵⁷ The use of boxes, ovals and arrows in this diagram follows the conventions used and explained for Figure 7.1.

⁵⁸ Although the word 'boss' may be colloquial (Allen, 1990), it is used to give a more precise meaning than 'superior'. It is used here to mean a superior manager to whom a subordinate

that he would have no option but to leave the company (*interviews # 756, 771*). Another explained how school children's responsibility to study hard was expected by teachers and parents, and how a child misbehaving in kindergarten might be scolded for behaving differently from other children (*interview # 876*).

Several Chinese managers translated responsibility into Chinese as *fu ze* 负责 (*interviews # 1155, 891*) indicating a heavy duty or moral burden, as implied in the Chinese character *fu* 负 meaning to carry, and in *ze* 责 meaning duty. Others translated it as *ze ren* 责任 (*interviews # 1119, 1320, 1155, 771*), implying a position or appointment of duty. This responsibility or duty is felt by staff in their working life (*interview # 804*), while failure to fulfil one's responsibility leads to disapproval among those who matter and to loss of face. 5 Chinese interviewees talked of failing one's responsibility in terms of shame before one's boss, peers and society, whereas none described it as guilt to one's own conscience. An interviewee described responsibility of a Chinese boss as being more than fulfilling a job description or meeting targets, but also of looking after his or her subordinates, such as when their position in the organisation is under threat. This might extend to considering their feelings, or even looking after the subordinate's family (*interview # 801*). This personal aspect of relationships between Chinese bosses and their subordinates will be examined in more depth (9.8.1 *Chinese views*). Responsibility felt by Chinese managers therefore appeared to be personal, as indicated in Figure 8.1, felt as a duty to one's boss, colleagues or members of one's in-group.

A number of interviewees (*interviews # 786, 879, 645*) discussed reluctance by Chinese staff to accept responsibility. Several reasons for Chinese reluctance were mentioned. Firstly, there were stronger feelings by Chinese than by Western people for the burden of responsibility owed to their in-group (*interview # 783*), together with fear of losing face if responsibilities were not met (*interview # 756*). It was pointed out that in Chinese organisations authorities and responsibilities are typically

has a direct reporting relations. In contrast, 'superior' may mean any manager at a more senior level in an organisational hierarchy. Use of 'boss' has a secondary advantage of conciseness: being shorter it fits easier into diagrams such as Figure 9.1. Finally it was used more extensively than 'superior' by interviewees in the field (*interviews # 855, 756, 1056, 1071, 1131*).

not clear, so each person can, even after something goes wrong, say it was not their fault (*interview # 771*). Probably related to this fear of losing face was mention of boss to subordinate relationships: Chinese bosses were described as expected to lead while subordinates are expected to be reliable (see 9.2 *Contribution or reliability*). Also mentioned was typical reluctance by Chinese superiors to set responsibilities and to hold subordinates to these responsibilities (*interview # 879*). Therefore, the heavy burden of responsibility and threat of loss of face appeared to be counteracted by a Chinese tendency to avoid responsibility, not to specify responsibilities clearly, and not to hold people to them.

Secondly, it was pointed out that there is less separation for Chinese staff between work and home life, so that the concerns of work are taken home (*interview # 819*).

Thirdly, there were explanations of a general reluctance by Chinese people to step outside their comfort zone (*interview # 855; document # 931; Fax # 1389*). This was illustrated in two instances (*interviews # 879, 1119*) when interviewees compared the Western proverb that 'The early bird catches the first worm' to the Chinese proverb

'qiang da chu tou niao'

枪打出头鸟

'The first chick from the nest gets shot'.

This Chinese tendency for conservatism was attributed to Chinese parents telling their young children not to do things, and warning them of dangers, in contrast to Western parents who are more likely to encourage their children to go outside and to find things out for themselves (*interview # 933*).

However, a comfort zone for British staff was also mentioned in the context of their reluctance to accept empowerment and accountability for offering credit to customers on new business shortly after a large bad debt (*interview # 1158*).

8.2.2 Czech views

Responsibility, rather than accountability, was repeatedly mentioned by Czech interviewees in their emails (*emails # 558*). It is included in local procedures of one of the organisations (*manual # 309*), as well as in their discussions of management control (*interview # 477*). It was also included in all 10 of the Czech axial respondents' perceptions of credit control.

Czech managers linked responsibility to reliability, and equated a sense of responsibility to staff understanding what one as an individual should do (*document # 309; interviews # 1026, 1029, 1047*), which contrasted with Chinese interviewees talking of 'feeling responsible' (*interviews # 783, 804*). There were moral undertones to the understanding of duties that Czech managers expected. The moral implications, however, were not expressed in terms of duty to one's in-group or immediate community, but to oneself (*interview # 1047*) and possibly to society at large. In contrast to Chinese interviewees, more than three quarters of the weight of opinion among 7 Czech interviewees was that failure in one's responsibility would be a matter for one's personal conscience rather than of shame before others. It was therefore described in terms of individual responsibility as shown in Figure 8.2.

Czech reluctance to accept responsibility was expressed in the often quoted phrase "It's not my responsibility". However, this apparently applies to only some Czech people (*interview # 1026*). It was linked to old attitudes, prevalent during the Communist era up to 1989, of people going through the motions of work while putting their energy into their private lives, looking after the comforts of their homes or country cottages (*interviews # 1263, 1089, 555*),

"people pretended they are working and the Government pretended to pay them" (interview # 285).

8.2.3 British views

The British concept of responsibility was described as doing or achieving what one should do as defined by one's roles or position (*interview # 1125*), or what others expect one to do (*interview # 1173*). It was also described as stewardship; that is looking after something for somebody (*interview # 225*). The British concept of responsibility was not described as a burden, nor was understanding one's duty stressed. But very often British interviewees introduced to the discussion accountability alongside responsibility; this is considered in the next section.

Reluctance to acknowledge responsibility was described as a new phenomenon among British staff, in contrast to Chinese and Czech staff. With rapid re-engineering of business processes, layering of organisational structures and loss of experienced people (*interviews # 114, 117, 147*), staff often do not know what they are supposed to do, how their work fits in with that of the rest of the organisation,

and how the systems they use are supposed to work. It was explained that people, faced with this uncertainty, tend to retreat to the tasks spelt out in their job descriptions and procedures (*interview # 1138*). The example given above, of reluctance to accept empowerment for credit control shortly after a large bad debt (*interview # 1158*), seems to be another example of reaction to uncertainty. However there was less mention of British than of Czech and Chinese reluctance to accept responsibility.

8.3 Accountability

Hardly any Chinese and Czech interviewees raised accountability. When asked, most interviewees who work for western multi-national organisations were familiar with the word from their experience in these organisations. A few Chinese and Czech interviewees had never heard of it, while some admitted that they did not know what it meant. Among those who knew what it meant, there was a variety of meanings given. However, there was also a variety of meanings by which British interviewees understood the concept of accountability, despite their wide use of the term. Explanations given very often straddled a number of meanings. Responses were therefore analysed both by the number of people mentioning a particular meaning, and also by the weight of opinion for each meaning.

8.3.1 British views

Unlike Chinese and Czech interviewees, British managers tended to stress accountability more than responsibility (*Meeting # 1191*).

6 out of 17 British interviewees, and just over a quarter by weight of opinion, saw it as being virtually identical to responsibility. 1 interviewee saw it as identical to responsibility except that it cannot be delegated, i.e. "the buck stops here" (*interview # 1263*)⁵⁹. 9 out of the 17, and a little less than half of the weight of opinion, saw accountability as responsibility together with roles of firstly being in a responsible

⁵⁹ This view of accountability as responsibility that cannot be delegated was shared by 2 other British interviewees who saw accountability as also embracing roles or explanation. However, a further British interviewee saw accountability as responsibility that could be delegated (*interview # 1146*).

position and secondly to whom the responsibility is owed. 7 of these 9, and a third of the weight of opinion, saw accountability as responsibility with roles and explanation or information on how the responsibility is fulfilled. An example of linking accountability to information was the phrase “what gets measured, gets done” (interview # 159; document # 160). A further 4, and a quarter of the weight of opinion, saw accountability as responsibility with explanation or information on fulfilment of responsibility, but not necessarily with roles. Therefore 13 interviewees, and two thirds of the British weight of opinion, saw accountability as some combination of responsibility with either or both of roles and explanation. This is illustrated in Figure 8.1.

8.3.2 Czech views

While Czechs generally gave *odpov dný* as the equivalent Czech word for responsible or responsibility (document # 426; interviews # 423, 480), and *zodpov dný* as equivalent to accountable or accountability, one switched the meanings in their translation (interview # 1050). 10 out of 14 Czech interviewees felt they could not make a meaningful distinction between these concepts in their own language. Of the four Czech interviewees who distinguished accountability from responsibility, two included in their explanation non-delegateable responsibility and two combined responsibility with a relationship to whom it is owed, with or without information on its fulfilment. Several admitted to not knowing what accountability means (interview # 1092), to not having heard of it (interview # 570), or that it is not used. An interviewee commented on Czech resistance to accountability in the sense of performance assessment: collection of opinions on a seminar by participants was unacceptable, as this sort of information was collected for files on people under the previous Communist regime (interview # 387).

8.3.3 Chinese views

Chinese interviewees did not reach a consensus on how to translate accountability into their own language, variously offering Chinese equivalents of *xin ren* 信任 (interview # 1155), *ke kao xing* 可靠性 (interview # 876; but interviews # 888, and 924 disagreeing), *ke yi lai xing* 可依赖性 (interview # 876), *jie shi* 解释 (interview # 990), and *bian hu* 辩护 (interview # 990). Some could not translate it into their own language (interview # 924), or admitted to ignorance as to

what accountability means (*interview # 981*). Only 3 offered a distinction between accountability and responsibility, describing accountability as a combination of responsibility with either information or a relationship to whom it is owed, or as responsibility resting with an organisation rather than a person (*interview # 1119*).

More fundamentally, it was suggested that the typical Chinese preference for secrecy and lack of transparency is incompatible with accountability in the sense of holding someone to account (*interviews # 801, 993*).

Therefore, while there is considerable variety and uncertainty about the meaning of accountability, it appears to be a predominantly British concept, for whom about two thirds distinguish it from responsibility. Few Chinese and Czech managers use the concept of accountability, let alone are confident in knowing what the word means, despite it appearing in one of the organisation's recommendations on management control (*manual # 188*).

8.4 Cultural and other contextual factors

Several cultural factors were identified within the findings for this key category of obligations of responsibility and accountability.

Mainland Chinese interviewees saw responsibility as owed to their in-group, and they associated failure to fulfil their responsibility with shame and loss of face. In-groups are a feature of group orientation (*5.1 Mainland Chinese culture – 2. Group orientation*), which is a feature of Collectivist cultures (Hofstede, 1991; Brewer, 1995; Chow et al., 1995; Triandis, 1995). Hofstede (1991) describes concern for losing face as a feature of both Collectivist cultures and of the short term (past and present) orientation of Confucian Dynamism. Trompenaars (1983; Trompenaars and Hampden-Turner, 1997) describes concern for losing face as a feature of both Diffuse and Ascribed status cultures.

Stepping outside comfort zones was implicated in reluctance by mainland Chinese staff to accept responsibility. Shared concern for comfort zones may be seen as a cultural attitude. It may also be a feature of high Uncertainty Avoidance cultures (see definition in Appendix A).

Responsibility was generally seen by Czech interviewees, in contrast to Chinese interviewees, in terms of duty to oneself and possibly to society at large. This view

may be seen as an Individualist stance. Failure to fulfil responsibility was seen as a matter for one's personal conscience rather than of shame before others.

These explanations of Individualism – Collectivism, Confucian Dynamism, Diffuse and Ascribed status cultures for differences between Czech and Chinese meanings for responsibility may be compared to measures for the two cultures. Trompenaars' (Table 5.3) measurements of high Individualism, Specific culture and moderate Achieved status for Czech culture, compared to Collectivism, Diffuse culture and moderate Ascribed status for mainland Chinese culture, are consistent with these explanations. They are also consistent with the significant difference between mainland Chinese and Czech cultures for the Specific – Diffuse dimension as measured in this cultural survey (Table 6.1). These are therefore included in Figure 8.1. Although the cultural survey found mainland Chinese, compared to Czech, survey respondents to have more Ascribed status, this difference was not significant. Unfortunately measures of Hofstede's cultural dimensions for Czech culture are not available. However, it might be imagined that Czech, like British, culture would be less future orientated and have lower Uncertainty Avoidance than the very high scores measured for these cultural dimensions by Hofstede and Bond (1988; see Table 5.5) and by Cragin (1986, see Table 5.6) respectively. This does support Uncertainty Avoidance as an explanation for greater Chinese concern for comfort zones among mainland Chinese than among either Czech or British interviewees, which is included in Figure 8.1. However, Confucian Dynamism does not help to explain the finding of mainland Chinese concern for face, as this is associated with low scores (past and present orientation) for this dimension (see Table 5.5).

Corroborative statistical tests, which will be discussed more fully in Chapter 13, provide support, although not significant correlations, for an association between guilt rather than shame based responsibility and both the Specific – Diffuse and Achieved – Ascribed cultural dimensions (Table 13.6). These tests neither support nor refute any association with Individualism – Collectivism.

British views of accountability in terms of work roles, that define who is responsible to whom, may be related to Specific culture. In these cultures how people relate to each other is determined by their specific position or activity. British accountability in terms of providing information on how responsibility has been fulfilled may be related to Achieved status, for in such cultures confirmation may be needed of

achievement. Both of these cultural dimensions are supported as explanations for British accountability, and lack of it among Czech and Chinese managers, by the findings of the cultural survey (Table 6.1). The differences between British and mainland Chinese responses for both of these dimensions was significant. That between British and Czech responses for Achieved – Ascribed, but not for the Specific – Diffuse dimension, was also significant. Trompenaars' results (Table 5.3) are also consistent with Achieved – Ascribed as an explanation. His results for Specific – Diffuse support the comparison between British and Chinese, but not between British and Czech, views of accountability. Support for association between importance of accountability rather than of responsibility and both the Specific – Diffuse and Achieved – Ascribed cultural dimensions is provided by the corroborative statistical tests that will be discussed in Chapter 13 (Table 13.6). Both of these dimensions are therefore included in Figure 8.1.

Other contextual factors mentioned by interviewees included pre-school upbringing in China, attitudes retained from the previous Communist regime of Czechoslovakia, and uncertainty arising from business process re-engineering and layering of organisations. These are illustrated in Figure 8.1.

8.5 Relating findings to the literature and to cultural theory

Up to here in this chapter, references have been made to existing theory and research, only in order to help describe and explain the contextual factors, such as 'face' and cultural dimensions, that were identified from the data as being relevant to the findings. Existing theory and research are now brought into the discussion in order to corroborate the findings and to relate them to existing knowledge.

8.5.1 Responsibility

Boisot and Child (1988) point out that responsibility in management was officially encouraged by the Chinese State at an early stage of Deng's reforms, such as the 'production responsibility system' of 1976 (Fairbank, 1987). It therefore has its origins before the opening up of China to the West and influx of inward investment from 1979. Thus it may be wrong to imagine that responsibility as part of management control is a recent Western introduction to China, or that it might be of a Western variety.

One of the key differences between Western and Oriental responsibility is the importance of 'face' and its relationship with 'shame' (Redding and Martyn-Johns, 1979). Just as face is an important part of Chinese culture (Child, 1994; Lu, 1996), so also is shame (Mencius, 1970), which is a basis for face.

In contrast, it was seen (5.2.2 *Individualism*) how Czech literature points to the importance of an individual's conscience and guilt, rather than shame before one's in-group. Pynsent (1994) refers to Rádl's and Masaryk's rejection of oriental ethics:

"the Oriental .. finds Western ethics too harsh because it is an ethics based on the notion of individual responsibility and individual conscience"
(Pynsent, 1994, page 9).

Just as differences between Chinese and Czech concepts of responsibility can be seen in historical and philosophical roots of these societies, they are also indicated by cultural theorists.

Triandis (1995) and Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) point out that in extreme collectivist cultures the collective is responsible for errors of one of its members, whereas in individualist cultures it tends to be solely the individual who is responsible for his or her own action and its consequences. Although joint responsibility was not identified as a category in this study, this distinction is to some extent supported by the difference found here between Chinese responsibility to colleagues and one's boss, and on the other hand Czech responsibility to oneself and possibly the world at large.

A distinction between shame and guilt is well supported by cultural theory. As Hofstede (1991, page 60) writes:

"Shame is social in nature, guilt individual; whether shame is felt depends upon whether the infringement has become known by others. This becoming known is more of a source of shame than the infringement itself. Such is not the case for guilt, which is felt whether or not the misdeed is known by others."

Trompenaars and Hampden-Turner (1997, page 198) however point out that these apparent dichotomies, such as between shame and guilt cultures can be over stressed as stereotypes:

“Generally speaking, what is strong in another culture will also be present in some form in our own culture. We speak of ‘guilt cultures’ and ‘shame cultures’, for example: those which try to make us feel guilty for breaking rules, and those which demand public apologies and subject the miscreant to the hostile stares of their group, e.g. ‘loss of face’. This is a significant difference between East and West: but who has never wished the ground would open up because of an excruciatingly embarrassing lapse?”

The cross-national empirical research of management control, reviewed in Chapter 2, appears not to have studied the meaning or importance of responsibility. Comparison of empirical findings by Chow et al. (1991), Vance et al. (1992), and Harrison et al. (1994) do not support a consistent link between Individualism and individual responsibility.

8.5.2 Reluctance to accept, or problems with, responsibility

This study did not attempt to measure or compare the extent that staff from different countries are willing or reluctant to accept responsibility. However, findings indicate that Chinese staff tend to be reluctant to accept it, that some but not all Czech staff tend to be reluctant, but that British staff are reluctant in only some circumstances. This pattern finds some support in the following literature.

Redding and Martyn-Johns (1979) claim that Chinese businesses in South East Asia work with very little allocation of responsibilities. They attribute this to their mutual causal paradigm, typical for oriental cultures, that has considerable similarity to Trompenaars’ (1993; Trompenaars and Hampden-Turner, 1997) concept of Particularism, and to resulting cognitive tendencies to think in terms of relationships and contexts rather than hierarchical or analytical categories. This may explain the tendency found here of Chinese managers being less likely than British managers to see responsibilities in terms of organisational roles.

Child (1994) identifies strong Chinese group orientation with a belief in egalitarianism encouraged by Communist ideology. This, he maintains, presents difficulties for development of individual responsibilities in mainland China.

Hoon-Halbauer (1999) reports reluctance to accept responsibility among Chinese staff in the Sino-foreign joint ventures of Beijing Jeep Corp. and Shanghai

Volkswagen. Also foreign managers were annoyed by the lack of clear responsibilities.

The concept of responsibility for results assumes an ability to influence those results. Hampden-Turner and Trompenaars (1994) see responsibility of a manager as presenting relatively few problems in internal Locus of control and Individualistic cultures. In contrast, it may be more problematical in external Locus of control and Collectivist cultures, such as that of mainland China (Table 5.3).

Pynsent (1994) and Vlášil (1996) make similar observations to the interviewee quoted above (8.2 *Responsibility – Czech views*) about staff under the previous Communist regime of Czechoslovakia doing as little work as possible.

8.5.3 Accountability

Hofstede (1991) makes a number of conjectures about culture and accounting or accountability. He maintains that in more Masculine cultures (as defined, see Appendix A), such as in the USA, managers are more likely to be held accountable as heroes or villains for financial results than in Feminine cultures (as defined in Appendix A) where success is more likely to be judged holistically. Also, he maintains that Masculine cultures favour identifying heroes and villains, and consequently in these cultures managers are more likely to be held personally responsible for results. Although Roberts et al. (1998) assume mainland China to be moderately Masculine based upon Hofstede's measurement of Hong Kong culture, Cragin (1986) found mainland China to be extremely Feminine (see Table 5.6). Hofstede also maintains that the nature of accounting, as an "uncertainty-reducing ritual" (op. cit., page 155), differs according to a country's Uncertainty Avoidance dimension. Cragin (1986) found very high Uncertainty Avoidance in mainland China (see Table 5.6). Finally, Hofstede claims that accounting is taken more seriously and considered more indispensable in individualist than in collectivist cultures. On this dimension, Trompenaars (Table 5.3) found mainland Chinese culture to be Collectivist, British culture to be moderately Individualist and Czech culture to be highly Individualist. Therefore, all three of these cultural dimensions of Masculinity, Uncertainty Avoidance and Individualism could be used to explain the low understanding of accountability found here for Chinese compared to British managers. However, the explanation based on Individualism is undermined by low

understanding of accountability in highly Individualistic Czech culture (Table 5.3). Nor are these explanations supported by measurements for Czech Masculinity and Uncertainty Avoidance.

Accountability, particularly in the sense of providing detailed information in explanation of fulfilment of responsibility, may be a form of Low Context Communication (Hall, 1977), which has been linked by Hofstede (1991) to Individualist culture, and by Trompenaars (1993; Trompenaars and Hampden-Turner, 1997) to Specific culture. These cultural dimensions may therefore help explain findings here for British views on accountability and for Chinese responsibility. However, they do not explain low Czech concern for accountability. Further association between findings from the study and Low or High Context Communication will be explored in Chapter 10.

Among the empirical studies reviewed in Chapter 2, there has been considerable empirical research into relationships between, on the one hand, national culture and, on the other hand, standards, targets, budgets and performance measurement. This empirical research includes studies by Daley et al. (1985), Frucot and Shearon (1991), Harrison (1992 and 1993), Ueno and Sekaran (1992), Vance et al. (1992), Ueno and Wu (1993), Chow et al. (1994), Harrison et al. (1994), Otley et al. (1994), Collins et al. (1995), O'Connor (1995), Chow et al. (1996), Lau et al. (1995 and 1997), and Chow et al. (1999b). All of these control methods may be seen as part of what is put in place in order to achieve the control component of accountability.

However, the findings from this study suggest that, while there may be something in the theories that accountability is associated with Individualist or Specific cultures, there is a cultural blockage for many Czechs and Chinese people to understand the concept at all. Existence of fundamental differences between countries in the meaning of accountability is supported by the empirical research of Ahrens (1996). Perhaps empirical researchers, who attempt to measure some aspect of accountability such as standard tightness or controllability filters in budgeting, are missing a more fundamental point. It may be that the phenomenon they are studying is so dependent on Anglo-Saxon or Northern European thinking, that managers of other cultures generally look elsewhere for their control assurance. This possibility will be explored further in light of evidence from other key categories (*14.8 The substantive theory and accountability theory*).

8.6 Conclusions on obligations

Findings from selective coding for this key category show that accountability is widely seen as important by British managers to control assurance. While there was variation in British explanations for what it means, these meanings, as illustrated in Figure 8.1, usually revolved around some combination of responsibility, roles concerning responsibility, and explanation provided for the fulfilment of the responsibility. Many Czech and mainland Chinese interviewees were familiar with the concept of accountability, yet they were not confident in knowing what it means. Czech and mainland Chinese managers looked to responsibility rather than accountability for providing control assurance. Major differences appeared between Czech and mainland Chinese meanings for responsibility. Whereas mainland Chinese interviewees described personal responsibility to their bosses, peers or member of their in-group, Czech interviewees described individual responsibility in terms of duty to one's conscience.

Some consistency with existing literature was found for these differences in understanding of responsibility. However there was only a little support from existing literature for differences in understanding of accountability. This may reflect the focus of cross-cultural research attention on the means to provide accountability, rather than into the control provided by these means. The implications of findings from this study for accountability theory will be returned to (*14.8.7 Implications for accountability theory*).

CHAPTER 9. INTERNAL RELATIONS

9.1 Introduction

The structure of this chapter is similar to that of previous chapters on key categories. After this introduction for the key category of internal relations, the findings are explained. However, because of the broad scope for this key category, there are separate sections for 7 areas of findings. Contextual factors for these perceptions are then summarised. Separate sections compare these findings to literature on internal relations, to cultural theory and to cross-national empirical research into management control. The chapter closes with its conclusions.

Although tests for alternative explanations will be discussed for the whole study in Chapter 13, they are considered in this chapter for the property of bosses looking after their subordinates. They are relevant here because they form part of the assessment of evidence for this property.

9.1.1 The key category internal relations

Each of the 30 axial respondents mentioned a number of features of internal organisational relations, such as authorities, teams, segregation of duties, and organisational structures. Table 6.2 shows that there were significant differences between axial respondents from different countries in the importance they attached to teams and organisational structures. However, further differences emerged in the control elements embraced in these categories and in meanings given to these control elements. Selective coding, drawing on a wider range of views than those of the axial respondents, examined these control elements in more depth. It also added to the control elements that were examined as sub-categories, and focused more precisely on those that distinguished the views of managers from different countries.

These emerging differences were grouped for selective coding into this key category concerning management control within an organisation. The common theme of implications, for control assurance, of how people relate to each other within an organisation gives coherence to this chapter. This coherence is illustrated in Figure 9.1 by the extensive interrelations between sub-categories for this key category.

9.1.2 Interviewees

Data for selective coding of external business relations was gathered in interviews with all of the 30 axial respondents and with a further 28 interviewees. These 58 interviewees are analysed in Table 9.1.

Location Organisation	British	Czech	Mainland Chinese	Other	Of which:		Location Total
					Male	Female	
UK: CoX CoY Other	7			1	7	1	18
	4		2	1	5	2	
		2	1		1	2	
Prague: CoX CoY Other							23
	1	7			6	2	
	2	6		3	8	3	
Beijing: CoX CoY Other	1	2		1	3	1	16
Elsewhere CoX CoY Other	3		7	1	5	6	16
			5		3	2	
TOTAL			1		1		1
	18	17	16	7	39	19	58
	=====	=====	=====	=====	=====	=====	=====

Table 9.1: Interviewees for selective coding on internal relations

9.1.3 Overview diagram

An overview of the key category of internal relations and its sub-categories is given in Figure 9.1.

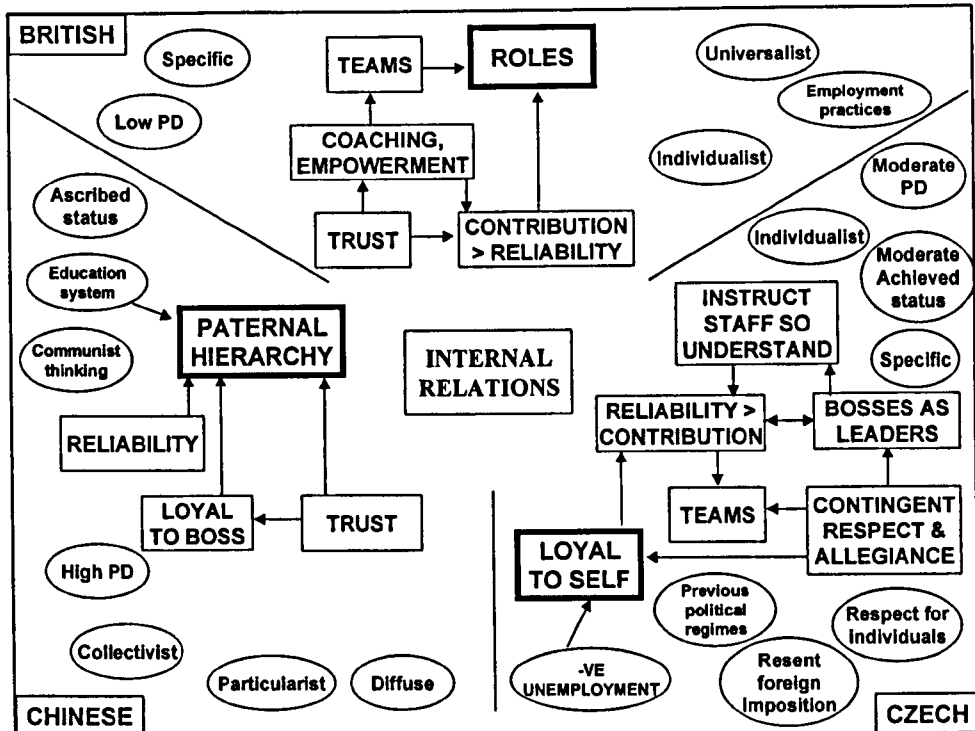


Figure 9.1: Differences in perceptions of internal relations⁶⁰

As with similar figures for other key categories, Figure 9.1 illustrates only features that distinguish perceptions by managers from different countries of providing control assurance.

9.2 Contribution or reliability

This sub-category refers to the boxes in Figure 9.1 concerning reliability or contribution in perceptions by British, mainland Chinese and Czech managers and staff. Managers' discussion of staff reliability or contribution arose from their concern with how staff contribute to control assurance, whether this is through being reliable in their tasks or whether they contribute to objectives.

Among the twelve British interviewees, who discussed what they expect from subordinates, about three quarters of the weight of opinion was that subordinates should contribute something beyond their defined job or instructions. It included

⁶⁰ The use of boxes, oval and arrows in this diagram follows the convention used and explained for Figure 7.1. PD is used as an abbreviation for Power Distance.

staff volunteering suggestions and acting on their own initiative. Among those who favoured reliability, one manager commented that it is older British staff who prefer to act within authorities, not stepping beyond defined processes (*interview # 1158*).

About three quarters of the weight of opinion among five Czech interviewees was that subordinates are expected to be reliable, that is to achieve what is asked of them. Czech interviewees were concerned about reliability when talking about subordinates understanding their responsibilities (*interviews # 1026, 1029, 1071*), or expressed concern when they did not understand what was expected of them (*interview # 483*). Understanding is therefore included in the box 'Instruct staff so understand' in Figure 9.1. It relates back to Czech staff understanding their individual responsibilities (*8.2.2 Czech views*).

All of eleven Chinese interviewees, who discussed this, expected reliability rather than a wider contribution. In this connection, an interviewee quoted the saying,

'bu qiu you gong, dan qiu wu guo',

不求有功，但求无过

"you don't need to earn merit, just don't make mistakes" (*interview # 1119*).

Reliability was linked by Chinese interviewees to subordinates having a sense of responsibility (*interviews # 804, 756*), which contrasts with Czech concern that subordinates understand their responsibilities (*8.2.2 Czech views*).

9.3 Coaching, instructing or looking after subordinates

This pattern of reliability and contribution was reflected in expected behaviour of bosses towards their subordinates, which was represented by a sub-category in the selective coding. Views on this topic were divided into those favouring 3 properties that appeared as alternatives. These were bosses coaching and developing their subordinates, secondly, instructing, and, thirdly, protecting and looking after their subordinates. This latter property includes giving staff benefits, opportunities and protection within the organisation, and providing some security for their future career. Of these 3 sub-categories, coaching appears in Figure 9.1 with empowerment among British perceptions, and instructing appears in the box 'Instruct staff so understand' among Czech perceptions. Looking after staff is subsumed as part of the box 'Paternal hierarchy' among mainland Chinese perceptions.

9.3.1 British views and empowerment

Seven out of nine⁶¹ interviewees who talked of British expectations, did so in terms of bosses coaching and guiding their subordinates, that is fostering development of staff as more capable employees and managers. Only two out of this seven mentioned instructing or explaining to staff what they are expected to do, while one made a reference to bosses looking after their subordinates.

This approach of guiding staff was illustrated by the view:

“Supervision is how you impress upon staff, lead by example, discuss communicate and so forth. It is doing spot checks and using some form of making sure people are on top of their job, that they are doing the things they are supposed to be doing” (interview # 879).

This property of bosses guiding or coaching their staff, and thus fostering staff development, appeared as an aspect of empowerment. Empowerment also implies some expectation that subordinates will contribute more than their specified tasks or defined responsibilities, which was identified in the previous sub-category as characteristic of the British managers. Empowerment was included in diagrams of 5 out of the 11 British axial respondents, but for none of the Chinese or Czech axial respondents. It appeared as a matter of trust that subordinates will act sensibly and appropriately towards furthering wider objectives for the organisation. For example, one British manager talked of expecting subordinates to

“not allow some stupid transaction to go through” (interview # 555).

The reciprocation of this trust is for the boss to allow subordinates latitude in how they do their jobs (*interviews # 159, 1128*), perhaps subject to some spot checks or other monitoring (*interview # 879*). It is this variety of trust that is illustrated in Figure 9.1 for British perceptions, where it is linked to contribution and to coaching and empowerment.

⁶¹ This comparison of British, Czech and Chinese expectations includes the views by 3 expatriates on local expectations. These were included because they provided further variety of data sources (4.3.2 *Selection of data sources*) and some triangulation for the researcher's interpretation of local views.

General trust of subordinates was seen as critical to control assurance of several British bosses (*interviews # 549, 1128*). This is illustrated in the comment:

"Trust (of subordinates) is important. ... In my own team I make sure that I have people around me that I trust. If there are one or two that I don't, I find ways to get rid of them, nicely of course" (*interview # 225*).

9.3.2 Czech views

Instruction or explanation by Czech bosses to subordinates, so that they understand what is expected of them, was a recurring theme. It was mentioned by 5 out of 6 interviewees who gave their view on what Czech bosses do, or should do, for their subordinates. This represented about 3 quarters of the weight of their opinion.

While there was mention of Czech bosses coaching and guiding their staff (*interview # 366*), they were described as generally less effective than British managers in coaching and guiding (*interview # 267*).

9.3.3 Chinese views

9 interviewees gave their opinions on Chinese attitudes to what bosses should do for their subordinates. The weight of opinion was a bit less than half for looking after subordinates, about a third for instructing them and about a quarter for coaching staff subordinates. Mainland Chinese perceptions of control were described as not including empowerment (*interview # 855*). An example of a Chinese boss being expected to look after his or her subordinates was the opinion that this extended to a responsibility for looking after them if their positions are under threat from reorganisation, and even to look after their families (*interview # 801*).

The lower emphasis, by Chinese than by British interviewees, on staff coaching (*Fax # 1389*) was illustrated in an interviewee's comment:

"neither party in that relationship is going to be comfortable with the type of relationship which (British managers would expect) to create. The (Chinese) supervisor is going to say 'Hang on. If I am going to be accountable, I want to tell them what to do.' (British managers) on the other hand (would say), 'Hang on! You have got to develop and let these people develop, so you have to do it at arm's length. Give them freedom.' (Chinese managers do not understand) 'how do I supervise if I give them freedom?' And it is by doing

things like giving tasks and targets, training, development, communication”
(interview # 979).

Although looking after staff was mentioned by only 5 interviewees, and all from the same organisation, it seems to be a predominantly Chinese characteristic. It was not mentioned by Czech interviewees and received low importance from one British manager. The narrowness of this evidence is reflected in tests for alternative explanations, which will be discussed more fully in Chapter 13. Results of these tests are illustrated here in Table 9.2 for all 3 alternative properties of the sub-category of what bosses are expected to do for their subordinates.

These non-parametric statistical tests were first of all run separately for each of the 3 alternative properties of bosses coaching, instructing or looking after their subordinates. This was done because the Kruskal-Wallis and Mann-Whitney tests can test values along only a single ordinal scale; they cannot test multiple alternative properties. Non-parametric tests for choices between multiple alternatives, such as the Friedman 2 way analysis of variance by ranks or the Page test for ordered alternatives, would test only whether all the responses came from a single homogenous population. They would not test whether there are significant differences by specific cultural grouping such as national, MNC, or function (Siegel and Castellan, 1988).

Table 9.2 shows a significant likelihood (at $p < 0.1$) that differences in expectations for bosses to coach and instruct their staff did not arise from the country of upbringing for interviewees (National cultural grouping). Furthermore this likelihood is most significant for differences by country of upbringing rather than the other cultural groupings tested. The significant difference between MNCs in expectations that bosses should look after their staff appears because only CoX interviewees gave this view. The test was therefore rerun just for the 14 CoX interviewees who gave views on what bosses should do for their staff. This showed that the pattern of differences by country of upbringing was significant ($p = 0.021$) within CoX. Therefore, expectations that bosses should look after their staff was a significant feature of Chinese interviewees in CoX. It does not however indicate anything about the interviewees who did not expect bosses to look after their staff: this might be a feature of CoY interviewees, or of British and Czech interviewees, or of a combination of the MNC and national culture.

	Cultural groupings						
	National	MNCs	Locations	Sites	Functions	Seniority	Gender
Coach staff 24 interviewees in CoX and CoY	0.015 *	0.414	0.037 *	0.123	0.731	0.112	0.457
Instruct staff 24 interviewees in CoX and CoY	0.064 *	0.525	0.177	0.148	0.649	0.244	0.761
Look after staff 24 interviewees in CoX and CoY	0.062 *	0.038 *	0.060 *	0.040 *	0.087 *	0.517	0.346
Look after staff 14 interviewees in CoX only	0.021 *	N.A.	0.064 *	0.064 *	0.278	0.107	0.683
Coach – Instruct – Look after staff 24 interviewees in CoX and CoY	0.018 *	0.158	0.031 *	0.065 *	0.656	0.131	0.353
Instruct – Coach – Look after staff 24 interviewees in CoX and CoY	0.070 *	0.214	0.131	0.072 *	0.459	0.579	0.479
Coach – Look after – Instruct staff 24 interviewees in CoX and CoY	0.048 *	0.780	0.136	0.239	0.770	0.119	0.777
Statistical test	Kruskal- Wallis	Mann- Whitney	Kruskal- Wallis	Kruskal- Wallis	Kruskal- Wallis	Kruskal- Wallis	Mann- Whitney

Table 9.2: Significance of differences in patterns of expectations of what bosses are expected to do for their subordinates⁶²

These 3 alternative properties (coach, instruct or look after staff) were combined into a single ordinal scale in order to examine these as alternatives, instead of independent properties. This also tested the patterns of managers who did not expect bosses to look after their staff. However, the order that the 3 properties should be ranked for this scale was not apparent. Three different scales were therefore constructed, each with a different pair of properties lying at its poles. The tests were then run for these 3 scales, as shown in Table 9.2. Differences in expectations

⁶² 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 $p < 0.01$.

between interviewees from different countries are significant for all 3 scales, and it is the differences by national culture that gave the strongest differences. Differences by MNC were not significant. This confirms that the differences by country of upbringing do not arise from differences by any of the other cultural groupings.

While views of 4 Chinese interviewees may be slender evidence on which to build a hypothesis that expecting bosses to look after their staff is a Chinese characteristic, it is supported by the 9 British and 6 Czech interviewees who did not express this expectation. Chinese expectations that bosses look after their subordinates, appeared to be related to loyalty, which is discussed next. Together they are facets of Chinese reliance on personal relationships that is a recurring feature of findings from this study.

9.4 Loyalty

There is perhaps a connection between, on the one hand, the two categories already examined of what bosses and subordinates expect from each other, and, on the other hand, ties of loyalty and commitment between subordinates, bosses and employing organisations. Loyalty is shown in figure 9.1 for both mainland Chinese and Czech perceptions.

Discussion about staff loyalty arose from concern by superiors and peers whether staff were directing their energies towards objectives for the organisation, whether they would continue to do so, and whether these energies contribute or detract from control assurance.

9.4.1 Chinese views

One interviewee said that Chinese staff who feel that they are trusted to do their work, i.e. to be reliable, are more willing to fulfil their responsibility (*interview # 876*). This shows a connection between how staff are treated and their commitment to their work.

Of the nine interviewees who talked of Chinese staff loyalty, half of the weight of opinion saw this loyalty as given to the particular boss, a little more than one quarter as loyalty to the organisation, and the remaining slightly less than a quarter as loyalty to oneself. Examples of loyalty to one's boss included supporting him or her in public and not questioning their authority (*interview # 1209*). English speaking

Chinese staff with experience of working for Western organisations were in short supply in the Beijing labour market. Nevertheless Chinese interviewees made less mention of this market condition than of their boss, when giving reasons for staying with an employer or seeking a new one (*interviews # 933, 642*). For example, two interviewees mentioned staff resigning because their boss transferred to another position or to another organisation (*interviews # 930, 855*).

As discussed above (7.2.2 *Guan xi and ren qing*), there may be an element of *ren qing*, or at least *guan xi* in the typical relationship between Chinese boss and subordinate. This may be invested in as an alternative to reliance on corporate trust (*interview # 993*).

A subordinate being loyal to his or her boss, rather than to the organisation, seems to be reciprocal to the boss looking after the subordinate. Bosses who failed in expectations of looking after and protecting subordinates were described as betraying the subordinate's trust (*interview # 855*). Promises made to the subordinate were seen as given by the particular boss not by the organisation (*interview # 930*). This Chinese variety of two way personal trust between boss and subordinate is illustrated in Figure 9.2. by the arrows between boxes labelled 'Trust', 'Loyal to boss' and 'Paternal hierarchy'.

An impression was gained during the fieldwork that Chinese loyalty between bosses and subordinates was not automatic. For example, staff may leave an employer because they find their boss inconsiderate (*interview # 642*), and warm interpersonal relationships may not develop between all bosses and subordinates (*interview # 819*). Stronger loyalties may be owed to in-groups (*document # 931*), irrespective of whether these coincide with organisational boundaries or fall within the employer organisation.

9.4.2 Czech views

In contrast to Chinese staff, about four fifths of the weight of opinion among 8 interviewees predominantly described Czech staff as loyal to themselves. Most of the rest of the weight of opinion was for loyalty to the organisation or team, while there was some mention of loyalty to the boss. This was in the context of the job market in Prague, which was described as facing virtually no unemployment or 'negative unemployment' (*Prague Post # 588; interviews # 1026, 1089*). Job

opportunities were attractive, particularly for English speaking staff with experience of working with MNCs. Loyalty was linked to the employer treating people as individuals (*interview # 1035*). Reasons for staying with the current employer included prospects for furthering personal ambition, housing shortages and conservatism (*interview # 1039*), career prospects, salary and concern that too frequent change of employer would look bad on curricula vitae (*interviews # 1026, 1035*). Loyalty to oneself is a form of self interest, which, it will be remembered (Figure 7.1), was found as a feature of Czech relations with external parties. Self interest and loyalty to oneself is counter balanced by individual responsibility, which was a feature of Czech obligations (Figure 8.1).

There may be a connection between trust and loyalty, in that it is difficult to be loyal to somebody whom you do not trust. It will be remembered that trust among Czech people in business transactions with external parties appeared to be generally lower than between British or Chinese people, as shown above (*7.3 Trust and relationships*).

9.4.3 British views

Weight of opinion among seven interviewees concerning loyalty of British staff, was about two thirds for loyalty to oneself and about one third for loyalty to the organisation or team. British loyalty to oneself was not therefore as prevalent as it was among Czech staff.

Reasons for staying or leaving an employer were typically given in personal terms such as “make money, have fun” (*interview # 1128*).

There was a British view of regret at declining loyalty to employer organisations. This was explained as modern employees in their 20's, who had grown up in an environment of no jobs for life and low commitment from employers to staff, having increasing willingness to look after their own careers (*interview # 1131*). Loyalty to teams was described in terms of personal empathy with fellow team members and the team leader. Respect by staff for their employer was seen as dependent on them being treated as a person, and on management being receptive to their ideas (*interview # 1188*). This view, with the regret at declining loyalty, seemed to include an expectation of some reciprocity between employees giving their loyalty to organisations or teams and in return being treated with respect.

9.5 Organisational structure

Managers generally saw how staff and activities are structured within an organisation, including issues such as segregation of duties, as important to providing control assurance. Differences between managers from different countries emerged both in what types of structures were seen as important to management control, and the meanings of some of these types of structures. The differences in importance of types of structure are examined first. A separate section for each of three of these types then explores differences in what these mean to interviewees.

Four broad types of structure were identified from the views of interviewees. These were teams, hierarchies, roles by which tasks and positions within an organisation may be defined irrespective of teams or hierarchies, and finally an organisation as a grouping of individuals acting as independent players. This fourth type emerged from interviewees describing an organisation without reference to teams, hierarchies or roles. It was a view in which a formal structure was not seen as important to management control. Because it did not help to distinguish views of managers from different countries, it is dropped from further analysis after this section.

Weight of opinion among 15 interviewees about Chinese views of what sort of organisational structure is important to management control, were about three quarters for hierarchies, under a quarter for people's roles within organisations and a small mention for teams. Weight of opinion among 13 Czech interviewees was about a half for teams, about a quarter for hierarchies, about a sixth for roles and less for organisational members as independent players. Weight of opinion among 15 interviewees about British views on important organisational structures for management control was about half for teams, a bit less than half for roles, with some mention of hierarchies and less for organisational members as independent players.

Teams, hierarchies, and roles therefore each emerged as sub-categories that distinguished views of mainland Chinese, Czech and British managers. Teams appear in Figure 9.1 among British and Czech perceptions, and roles appear among British perceptions. Hierarchies are represented by Chinese perceptions of 'Paternal hierarchy' and by the box 'Bosses as leaders' for Czech perceptions.

9.6 Teams as organisational structure

Teams tended to be seen as about equally important among British and Czech managers, and relatively unimportant among Chinese managers.

9.6.1 Chinese views

Chinese interviewees mentioned people working together in teams. However, these teams were described as having most responsibility residing with the team leader, who would be looked to by team members for resolving problems within the team (*interviews # 804, 843*). Team members should help the team leader by bearing some of his or her responsibilities (*interview # 783*), so the team leader is looked to for direction and overall responsibility for team assignments. These views were therefore treated in this analysis as a preference for hierarchies, the sub-category 'teams' being reserved for flat teams of the variety described by British or Czech interviewees.

Chinese staff were also described as more inclined to work in hierarchies than teams (*document # 931*), or as having better understanding of the implications of working in hierarchies than in teams (*interviews # 879, 930*).

9.6.2 Czech views

Czech views of teams seemed to be both a matter of efficiency (*observation # 1062*), reliability (*interview # 1071*), mutual trust and, in some cases, of camaraderie (*interview # 1047, 1056*). These teams appeared to be groups in which members try to resolve problems between themselves, rather than look to the team leader for sorting out how the team should function (*interviews # 1035, 1071*). Allegiance to teams therefore appears to be voluntary, depending upon how much an individual wishes to commit him or herself to the fraternity and objectives of the team. Once voluntarily given, this allegiance was seen to be capable of withstanding considerable personal embarrassment (*observation # 1097.3*). There was discussion of a Czech manager fostering a team spirit among staff as one of several means to enhance loyalty and motivation (*interview # 1039*).

There was mention of Czech staff working surreptitiously together in order to weed out any team member whom they felt was not honest (*interview # 1029*).

A foreign manager was observed to defer to a suggestion put strongly to him by a senior Czech secretary. The secretary pointed out that a certain course of action was appropriate in the Czech Republic. This appeared to be an example of teamwork, where the judgement of the person with the most relevant experience was assumed by both people to be more relevant than anyone's job or any other form of hierarchy (*observation # 1062*).

9.6.3 British views

British views of teams seemed to be of the Czech rather than Chinese variety, where members expect problems to be resolved between themselves rather than by the team leader (*interviews # 147, 1128*). An interesting British variation in descriptions of teamwork was of the boss working with his or her staff on operational tasks so that there is less need for monitoring and review; this described a flattening of the organisation structure (*interview # 1095*).

9.7 Roles in organisational structure

This selective sub-category of roles embraced job descriptions, functional roles, benefits of checks and balances from multiple perspectives on a control issue, and interdepartmental co-operation.

Roles appeared to be more important to British views on control than to Chinese or Czech views. They received a little less than half of the weight of opinion among 15 interviewees on British views of organisational structures, about a fifth of the weight of opinion among 15 interviewees on Chinese views, and a sixth of the weight of opinion among 13 Czech interviewees.

Examples of British views of roles included the importance for providing control assurance of different functional perspectives on control risk (*interview # 114, 147, 255, 1131, 1149*). But roles also appeared as demarcation of what was expected to be done by whom. A manager in Britain asked a subordinate to obtain a concession from a customer, and received the reply:

"Hang on a minute, that's not my bloody job!" (interview # 231).

Another manager in Britain asked one of his subordinates to do something; the reply was

"It's not my responsibility - ask a secretary to do it".

This addition, of what the boss could do with the request, shows how the responsibility was seen by the British subordinate in terms of who within the organisation should do it (*interview # 1221*). In contrast, the oft quoted (*interviews # 1026, 1263, 1089, 555*) Czech reply of a mere

"It's not my responsibility"

refers to absence of a duty to perform the task. Discussions (*interviews # 1297, 1263, 1221*) confirmed that a typical Chinese response would be for the subordinate himself or herself to ask a secretary to do it. In other words, Chinese staff would typically see their relationship with their boss as more important than organisational roles.

Various other categories indicate a tendency for roles to be relatively more important to British than to Chinese or Czech people. For example, 8 out of 17 British interviewees, and a little less than half of their weight of opinion, saw accountability as responsibility together with roles of owing responsibility and of to whom responsibility is owed (*8.3.1 British views*). In contrast, few Czech and Chinese interviewees gave views on accountability, as most talked of obligations in terms of responsibility without reference to roles of being responsible or of to whom responsibility is owed.

British views of teams may reflect co-operation between people, empowered within their roles, working together towards shared goals.

Roles may be seen as a conjunction of patterns of expected behaviour and the interests of those who are expected to act out that behaviour. As discussed above (*7.4.1 Trust and relationships*), British perceptions of regulating external relationships often included considering the other party's interests as well as one's own. Unlike Chinese views, these British considerations of mutual interest were not buttressed by obligations of *guan xi* or *ren qing*. Czech views on regulating external relations appeared to be characterised by self interest and reliance on contracts. It is submitted that aligning and regulating the interests of parties, based on transparency and trust, may generally be a British view of managing relations. A link for British managers between roles and trust was apparent in a discussion of access security. Whereas a British assumption was that this should be based upon jobs, and hence roles, a Czech assumption linked it to seniority and hence status within the organisational hierarchy (*interview # 1089*). Reliance based on interests of people in

different roles may be a common element in prevalent British views of managing both external and internal relations.

Interests appeared to be important in two respects to British views on internal relations. Firstly, discussion of functional roles and co-operation between departments seemed to be very often in terms of interests or goals (*interviews # 147, 225, 1131*). For example, there was discussion of how fruitful tension of different interests of people in different positions giving different perspectives to a control problems may provide control assurance (*interview # 1149*). Secondly, there was concern that people acting in their various jobs, i.e. defined organisational roles, should not have conflicts of interest (*documents # 1032, 1233*). British concern (*interview # 1023*) that there be no conflict of interest appeared to be sharper than Czech views (*interviews # 1019, 1035, 1039*).

9.8 Hierarchy in organisational structure

Hierarchies tended to be seen as much more important to management control among Chinese than Czech managers, and least among British managers. Hierarchies received three quarters of the weight of opinion among 15 interviewees on Chinese views, a quarter among 13 Czech interviewees and a very small weight of opinion among 15 interviewees on British views on organisational structures.

Meanings of hierarchies were explored in more depth with 3 sub-categories that emerged from the study. These were paternal hierarchy, hierarchy based on the ability or charisma of a leader, and hierarchy based on organisational authority.

9.8.1 Chinese views

The patterns so far described for Chinese relations within an organisation indicate a strong sense of hierarchy. These included expectations of subordinates' reliability, of bosses looking after or protecting their subordinates, and of personal loyalty to one's boss not to the wider organisation. Also Chinese views on hierarchical teams (*interviews # 804, 783, 843*) were distinguished from flat teams described by Czech and British interviewees.

A peculiarly Chinese type of hierarchy was evident in the emphasis that a subordinate should always, as a matter of duty, respect his or her boss (*interview # 1209*). It was commented that:

"In China, like other Communist countries, decisions are made at a very high level. People say it's not my business, or it's not my responsibility. Our education is wide and superficial, so we are not experts in any field. The boss is worried he will lose face if you have a brilliant idea, which can be very embarrassing. You can have a brilliant idea, but it depends on the leader whether they listen." (interview # 1119).

Another example was:

"Bill Gates is not such a dictator as Li Ka Shing"⁶³. In Chinese companies the boss really exercises authority, much more than in Western companies where everybody thinks that they can contribute their ideas" (interview # 801).

This type of organisational hierarchy was described as paternal and as a surrogate for "Confucian hierarchy" (interviews # 930, 1297). It is reflected in the Chinese expectation (9.3.3 Chinese views) that a boss will look after his or her subordinates.

A further example of this paternalism was:

"I always encourage the junior staff to do things, to be a person with credibility, don't do anything wrong. Teach them as they grow up" (interview # 843).

Another interviewee described relationships between subordinate and boss as like those in a family (interview # 981).

Out of the 15 interviewees who discussed Chinese views of organisational hierarchy, 13 talked about the meaning of hierarchy. Among these, nearly two thirds of the weight of opinion was in terms of paternal hierarchy, there was some small reference to hierarchy based on organisational authority, and one third did not clearly distinguish between types of hierarchy. Comparison of views across all 3 countries of upbringing on the meaning of hierarchy, showed that paternal hierarchy was a distinctly Chinese view. However, there was also a stronger tendency towards seeing hierarchy as paternal within CoY than within CoX, although neither of these was as strong as the Chinese tendency. Nevertheless, in the statistical corroborative tests that will be explained in Chapter 13, the patterns were checked within each

⁶³ Li Ka Shing of Hong Kong heads the business empires of Cheung Kong and of Hutchison (Economist, 1999)

MNC in order to control for company effects. The results of this are shown in Table 9.3. This shows that within CoX there was a significant difference in these views between interviewees from different countries.

	Cultural groupings						
	National	MNCs	Locations	Sites	Functions	Seniority	Gender
19 interviewees in all employments	0.000 ***	0.062 *	0.016 *	0.043 *	0.255	0.134	1.000
10 interviewees in CoX	0.013 *	⁶⁴	0.013 *	0.013 *	0.242	0.287	1.000
7 interviewees in CoY	0.128	⁶⁴	0.422	0.422	⁶⁴	0.116	⁶⁴
Statistical test	Kruskal-Wallis	Mann-Whitney	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Kruskal-Wallis	Mann-Whitney

Table 9.3: Significance of differences in perceptions of paternal hierarchy⁶⁵

9.8.2 Czech views

Czech concern for hierarchy seems to be consistent with observations that Czech people tend to have a high Power Distance (*interviews # 561, 1263*) relative to British people (*interview # 363*), which is reflected in Czech responses to the cultural survey (Table 6.1 responses for Hierarchical - Egalitarian). For example, status in the form of titles, such as 'Dr. Ing.' that has a higher status than a mere Ph.D. (*interview # 372*), and the size of offices (*interview # 1089*) tends to be taken more seriously by Czech than by British people. Also Czech formality, such as in language, compares to relative British informality (*interview # 1039*).

Several interviewees described Czech staff as looking for leadership in their bosses (*interview # 285, 483*). It was said that Czech bosses expect problems to be raised

⁶⁴ Data fell into only 1 cultural group, e.g. all of these CoY interviewees were from the Service function and were male. A test for a significant difference by the cultural grouping was therefore meaningless.

⁶⁵ 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 $p < 0.001$.

with themselves, rather than with more senior managers, so that they are not by passed (*interview # 1026*). It was reflected in Czech views of hierarchy based on bosses' perceived ability or charisma as leaders. Nearly two thirds of weight of Czech opinion among 7 interviewees saw hierarchy as based on bosses' charisma or ability; less than a quarter saw it based on organisational authority, while about a seventh of the weight of opinion could not be distinguished between bases for hierarchy.

Respect for leaders in position of authority is clearly different from attitudes to authority *per se*. Resentment was expressed for anonymous and invisible authority of the previous Communist regime (*interview # 285*). Great concern was expressed for the loss of fundamental respect for individual people under the previous Communist regime and Nazi occupation. This apparently resulted in individual identity of both leaders and people in the street being lost through faceless oppression; Czech people then invariably avoided looking strangers in the face, lest eye contact acknowledge them as individuals (*interview # 279*).

Czech interviewees were ready to tell jokes at the expense of their bosses (*observation # 1097.3*) and those in authority (*interview # 372*). One interviewee explained,

"Us Czechs we think the boss is a stupid, lazy shit. We are not scared of our bosses; we make a lot of jokes about them. We will argue and complain, particularly if we think the boss is wrong. But in the end, if the boss insists on the work being done the way he wants it, we will do it." (*interview # 1056*).

It was explained that Czechs are like the character of Švejk⁶⁶ (*interview # 372*), or that this character appeals to them, because he makes bosses look ridiculous (*interview # 387*).

⁶⁶ 'The Good Soldier Švejk' (Hašek, 1974) tells of a fictional soldier in the First World War, who, through his apparent imbecility and breaking all rules, shows up the stupidity and incompetence of his officers and others in authority. He is described as a quintessentially Czech character (Leff, 1997)

There seemed to be limits to Czech fondness for leaders. It was said that Czech people tend not to like tyranny by their boss (*interview # 105*). While expatriate bosses were among those looked up to as role models (*interviews # 285, 483*), there was also some criticism of strategy imposed by bosses located abroad and of expatriate bosses being imposed from abroad (*interview # 285, 1035*). There was also resentment of procedures being imposed from abroad by those who do not understand the local situation (*interview # 1047*). These may be examples of Czech staff losing respect for bosses or authority.

It appeared that when a boss loses the respect of Czech subordinates, he or she also tends to lose authority:

"If I respect him, his ability, knowledge, experience, as a person, I would probably follow him, after trying to persuade him that I do not agree with his view. But without this respect, he can think whatever he wants, and I will follow what I want!" (*interview # 1050*).

An interviewee (*interview # 1056*) gave the example of Vaclav Klaus, who rapidly lost public respect and the office of Prime Minister in the closing months of 1997, in order to illustrate how quickly a leader's respect may be lost as soon as he no longer fulfils expectations.

Therefore, Czech respect for leaders or bosses appeared to be more contingent than the unconditional respect generally offered by Chinese staff. This is a contingency on what Czechs think of the personal abilities and attributes of their leader, on what charisma he or she has for them. It is represented by a box 'Contingent respect and allegiance' in Figure 9.1. Inclusion of 'allegiance' in the label, with arrows from this box to 'Bosses as leaders', 'Teams' and 'Loyal to self', illustrates contingent allegiance that could be to bosses, and in particular to teams or oneself, which was discussed above (9.4.2 *Czech views*). Contingent respect for bosses is perhaps summed up by the Czech phrase

"It's always the head of the fish that stinks" (*interview # 1035*).

This implies that a company is usually well represented by its boss, but that he or she does not necessarily command respect.

It was noted above, when discussing loyalty, that Czechs staff tend to owe loyalty to themselves as individuals much more than to their bosses or to their organisation. On the assumption that it is difficult to be loyal to what one does not respect, loyalty

of Czech staff may tend to attach to themselves as individuals when respect for the boss or leader of the organisation is lost.

9.8.3 British views

British interviewees' discussion of internal organisational relations centred on roles and teams much more than on hierarchies. Therefore only 3 British interviewees discussed their views on hierarchies. All of these saw hierarchy as based on organisational authority, while 1 of them saw it also based on the personality of leaders (*interview # 231*). An example of concern for hierarchy was the manager who commented that without a hierarchy it is difficult to delegate, as without some such structure subordinates will reply "its not my job!" (*interview # 1188*). This links the issue of hierarchy to roles.

British subordinates showed that they could be as insubordinate as their Czech counterparts, and thus disrespectful of hierarchy. At the conclusion to an email to the boss, listing explanations for matters then receiving much management attention, a British subordinate concluded (*emails # 99*):

"The MI is crap, it's about time it was sorted out. I am going for a drink"

9.9 Cultural and other contextual factors

Differences in perceptions of internal relations that are important to providing control assurance, illustrated by boxes in Figure 9.1, may be related to several cultural characteristics. Indeed, some cultural characteristics have been referred to in describing these perceptions.

Higher Czech than British Power Distance was referred to by interviewees and was related to Czech staff expecting their bosses to act as leaders (*9.8.2 Czech views*).

The contingent respect for leaders described by Czech interviewees appears to represent the cultural value of Achieved status. For example, Vaclav Klaus was described as rapidly lost respect when he no longer fulfilled expectations.

Resentment of strategy, procedures and expatriate bosses imposed from abroad was identified among Czech interviewees. This is consistent with resistance to foreign oppression, which was identified (*5.2.4 Resistance to foreign oppression*) as a Czech

characteristic, and to a general, although usually unspoken, Czech dislike of foreigners (*interview # 1089*).

Some cultural dimensions appear as potential explanations for the patterns of perceptions found here. Egalitarianism is understood in this study to be equivalent to low Power Distance and Hierarchy as equivalent to high Power Distance, because of the close similarity in definition (Appendix A). Achieved – Ascribed status is taken as an indicator of Power Distance⁶⁷.

Chinese high Power Distance, which was indicated by strong Hierarchy and Ascribed status in the cultural survey (Table 6.1), may be reflected in Chinese perceptions of their paternal type of hierarchy including their peculiarly hierarchical descriptions of teams. Similarly British low Power Distance, indicated by Egalitarianism and Achieved status found in the cultural survey, may help explain empowerment and the relative absence of hierarchy found in British perceptions of internal relations. Czech culture was found in the cultural survey to have Egalitarian - Hierarchical and Achieved – Ascribed culture between those of British and Chinese cultures. These dimensions may therefore help explain the finding of greater Czech than British concern for hierarchy, and the more contingent or achievement based attitude to leaders by Czech than Chinese staff. Czech perceptions are shown in Figure 9.1 as moderate Power Distance in view of the much greater Chinese than Czech Hierarchy found in the cultural survey (Table 6.1).

The corroborative statistical tests, which will be discussed in Chapter 13, support these associations with the Achieved – Ascribed cultural dimension. There was a significant correlation (Table 13.6-7) between this cultural dimension and hierarchy

⁶⁷ Strictly speaking, Trompenaars' instrument, on which the cultural survey is based, measures Egalitarianism – Hierarchy as a dimension of organisational not national culture. Achieved – Ascribed, as measured in his instrument, is a dimension of national culture. Trompenaars and Hampden-Turner's (1997) description of Achieved – Ascribed has similarities to low – high Power Distance, for example in use of titles. The measurements here of Achieved - Ascribed status and of Egalitarianism – Hierarchy (Table 6.1) for the same survey respondents gives a similar pattern across the 3 national cultures. The Spearman rank correlation coefficient of responses by the 109 survey responses to these 2 cultural dimensions was 0.30 with a 2 tailed level of significance of $p = 0.0015$.

based upon ability or charisma, which was found to be a feature of Czech contingent respect for bosses as leaders. There were also significant correlations between this cultural dimension and expectations both of staff contributing, rather than merely being reliable, and of bosses coaching and developing staff; both of these expectations were found to be features of British views on empowerment. Ascribed – Achieved status also correlated (i.e. negative correlation with Achieved – Ascribed), although not significantly, with structure in terms of hierarchy and with paternal hierarchy.

Individualism, which was identified as a characteristic of Czech culture (5.2.2 *Individualism*) and was found by Trompenaars (Table 5.3), contrasts with Chinese Collectivism (Tables 5.2 and 5.3) or group orientation (5.1 *Mainland Chinese culture – 2. Group orientation*). These may potentially help explain Czech loyalty to oneself and their fundamental respect for individuals. In contrast, Chinese filial piety and strong ties of in-groups, which characterise Chinese group orientation, may help explain some of the features found here of Chinese paternal hierarchy. For example, they may explain the unconditional respect expected for bosses from subordinates, and it may help explain why good employment prospects appeared to have less significance for Chinese than for Czech staff. British Individualism (Table 5.2), albeit not as strong as that of Czech culture (Table 5.3), may help explain the British perceptions of roles that define the position of individuals in organisations, and the expectation that staff be trusted with empowerment to act out these roles as they see best.

Chinese personal relationships (5.1 *Mainland Chinese Culture – 4. Importance of relationships*) and Diffuse culture, found both by Trompenaars (Table 5.3) and in this cultural survey (Table 6.1), may help explain the personal ties between Chinese staff and their bosses. For example, there was the findings of some Chinese staff being more loyal to their boss than to their employer organisation, and there was the type of trust involving staff supporting their boss while the boss protects subordinates. These Chinese tendencies may be contrasted with Czech contingent respect and British perceptions of roles, each of which may be viewed as a manifestation of Specific relations between people dependent upon the specific situation. British perceptions of hierarchy in terms of organisational authority may also be seen as a manifestation of Specific culture in which authority is specific to a

defined organisational position rather than attaching to a person diffusely in all their roles. These associations receive considerable support from the corroborative statistical tests, which will be discussed in Chapter 13. Significant correlation is found (Table 13.6-7) between Specific – Diffuse and hierarchy in terms of organisational authority, while a very significant correlation ($p = 0.001$) is found between Specific – Diffuse and organisational structure in terms of roles. A correlation, although not significant, is also found between Diffuse – Specific (negative correlation with Specific – Diffuse) and loyalty to one's boss.

Besides cultural factors, other social, political and economic factors have been identified. The different effects of the state of job markets in Prague and Beijing, particularly the demand for English speaking local staff with experience of working for MNCs, were noted. The increasing tendency among employers in the UK to re-engineer work processes and delayer organisations were also mentioned as factors affecting staff attitudes.

Comments on differences between the present regime and previous communist and Nazi regimes in what is now the Czech Republic were noted in terms of restoration of respect for individual people.

Several interviewees compared Chinese to western education. It was explained that Chinese school children learn to receive knowledge, whereas in Western education systems emphasis is given to challenge of competing arguments and reasoning (*interviews # 993, 996, 1119, 930; document # 931; Fax # 1389*)⁶⁸. Even before school age, Chinese children tend to be told by their parents not to do this, and to be careful; in contrast Western parents are more likely to say 'go outside, try this, try that' (*interview # 933*). Later, in school, Chinese children learn to receive knowledge, whereas in Western education more emphasis is given to challenge of competing arguments and reasoning (*interviews # 993, 930; document # 931; Fax # 1389*). Education in China may therefore foster more respect for authority of paternal hierarchy, than does European education. It may also discourage the empowerment and contribution expected by British bosses.

⁶⁸ It was also said that Czech education encourages less challenge and questioning than British education (*interviews # 1019, 1278*).

Cultural dimensions of Universalism – Particularism, Individualism – Collectivism, Specific – Diffuse, and Achieved – Ascribed status are included in Figure 9.1, as are other contextual factors of education systems, present or political regimes and employment practices.

9.10 Relating findings on internal relations to the literature

Until now in this chapter, reference to existing theory has been avoided, except to explain the context that was identified from the data as relevant to the findings. This section now shows whether findings for differences in perceptions of internal relations are consistent with existing literature. In doing so, it shows how these findings relate to existing knowledge. Because of the wide scope of findings and breadth of existing material, separate sections are given for relating findings to literature on internal relations, to cultural theory and to empirical research.

9.10.1 Literature on Chinese hierarchy

The importance of respect for hierarchy and authority in Chinese society and organisations, following the Confucian concept of *li*, are described by Child (1994) and Lu (1996). They also describe the Chinese extended family as the basic social unit, from which business enterprises are perceived as an extension, with moral judgement expressed especially by the father as providing the standard for approved behaviour. Ch'ng (1997) attributes oriental unequal distribution of power to Confucian tradition, under which:

“Management is highly respected and is never publicly criticised. Employees accept the demand for conformity and subject themselves to domination. However, the mandate to govern is based on showing concern and benevolence to the employees. The owner-manager assumes a fatherly role and takes a personal interest in all his employees” (Ch'ng, 1997, page 68)

The tradition of Confucian hierarchy and respect for authority is represented by filial piety:

“Those who are filial to their parents and obedient to their elder brothers but are apt to defy their superiors are rare indeed: those who are not apt to defy their superiors, but are apt to stir up a rebellion simply do not exist. ... Filial

piety and brotherly obedience are perhaps the roots of humanity”
(Confucius, 1.2, 1997).

Ren, 仁, which is translated as ‘humanity’ (deBarry, 1960; Lau in Mencius, 1970; Huang in Confucius, 1997) or as ‘benevolence’ (deBarry, 1960; Lau in Mencius, 1970) includes a reciprocal obligation of superiors for their subordinates. According to deBarry (1960, page 87),

“Mencius was even more insistent than Confucius that it was these qualities of humanity and a sense of duty that mark the true ruler. The governor exists for the sake of the governed, to give the people peace and sufficiency, and to lead them by education and example to the life of virtue. The ruler who neglects his responsibility, or worse, who misuses and oppresses the people, is no true ruler and the people are hence absolved of fealty to him.”

For Mencius (1970), benevolence should not be owed equally to all people; most important was that between children and parents. From this developed the classic five relationships, which even today influence business and internal organisational relations (Ch’ng, 1997).

Hoon-Halbauer (1999) reports on how Chinese respect for age and hierarchy caused problems when it was not understood by foreign managers in Sino-foreign joint ventures of Beijing Jeep Corp. and Shanghai Volkswagen. Problems arose from promotion of young Chinese staff on the basis of competence, failure to respect the previous experience of older staff members, and return of these older members from the joint ventures to their parent organisations. This caused demotivation and demoralisation among the older Chinese staff and discomfort among the younger staff. Furthermore, Chinese personnel practices were incompatible with Western expectations. For example, promotion was on the basis of seniority or personal relationships. Foreign managers were also annoyed by lack of job descriptions.

Whitley (1991, 1994) identifies that in Chinese family businesses authority is predominantly personal, and that supervisors and managers are governed less by impersonal rules and procedures than they are in many Western societies. Resource allocation decisions are likely to be taken at a high hierarchical level. He refers to Laurent (1983) in showing diversity between societies in the extent that bosses in hierarchies are willing to admit ignorance, which points to variety in the extent that hierarchy is expected to be based on ability of superiors. Consequently, control

systems tend to be 'patriarchal', under which managers, particularly owner-managers at the hierarchical apex, rely on direct supervision and personal contacts in monitoring and controlling, and retain considerable personal discretion. Involvement and influence of subordinates in control systems is likely to be low. He links prevalence of this form of organisational control to such factors as low trust in formal institutions, paternalistic authority relations and personal trust being more significant than 'systemic trust' (Whitley, 1999)

Findings here of subordinates' respect for and loyalty to their bosses, and the expectations that bosses will look after and protect their subordinates are therefore consistent with a wide body of existing literature.

9.10.2 Chinese education as a social factor

Chinese filial piety and the effect of education systems are supported by Gow et al. (1996). They report that filial piety and submission to parents or elders is emphasised in Chinese pre-school child rearing. This leads to Chinese students tending not to challenge teachers' authoritative role. Ho (1996, page 165) concludes on the effect of Chinese filial piety that

"authoritarian-moralistic personalities, having been inculcated with filial precepts in childhood, would find it congenial to function in authoritarian institutions."

9.10.3 Czech contingent hierarchy

Vláčil (1996) reports on reviving 'meritocracy' of Czech joint ventures and privatised enterprises since the Velvet Revolution of 1989, and "return to the authoritarian managerial practices of Taylor, Ford or Bat'a" (page 39). He also reports on a tendency to base employment relations on the 'individual liberalist orientation' and a psychological contract, which assumes high interest, initiative and responsibility in every employee that may or may not be present. This receives support from the findings here of hierarchy based on the ability of bosses and of contingent commitment of employees divided between the hierarchies and loyalty to themselves as individuals.

9.10.4 Czech resentment of foreign imposition

Vláčil (1996, page 33) also reports resentment by Czech staff for foreign bosses: “they treat us as if we were monkeys”, while Seal et al. (1995) describe the effect of foreign occupation and its removal on financial reporting and auditing. This parallels the criticism found here of some expatriate bosses imposed from abroad. A variation of this tension between local Czech staff and foreign managers is touched on by Sebastian (1996) who reports how IBM put Czechs in charge of management from the first day of operations of their Prague subsidiary. He quotes Miroslav Lansky, human resource and corporate programs manager for IBM,

“It’s better when foreigners are equal members of the management team, or even standing a step back, in support positions. Otherwise, the locals don’t feel empowered, they have no authority, and they don’t take risks” (ibid. page 116).

9.10.5 Literature on roles

Weber’s ideal type of ‘bureaucracy’ combines a consistent system of abstract rules, with organisation of official functions into offices or roles, each having a specific sphere of influence, and clear separation of official activities from an office holder’s private life (Weber, 1947; Parsons, 1949). It assumes a “readiness to fit into functionally specialized roles and be governed by universalistic standards” (Parsons, 1947, p. 28). The British perception of roles seen here combines specific tasks and goals with multiple perspectives on control issues from different roles or ‘offices’. It contrasts with the people centred Chinese paternal hierarchies and their Diffuse relationships.

Parsons (1947) contrasts Chinese ‘bureaucracy’ to Weber’s ideal type. Chinese mandarins in Imperial China were professional administrators appointed on the basis of impersonal objective standards of examination. However, because they were few in number, and drew their remuneration from taxes they set and collected, they tended to rely on local interests. Finally, Chinese mandarins were generalists by training and qualification. Lack of specialist training and expertise increased dependence on their subordinates, who were not selected by the examination system. This hindered the extension of bureaucratic principles to subordinates.

Administration “remained what Weber calls a patrimonial bureaucracy” (ibid. page 545).

While the consistency between Weber’s ideal type of bureaucracy and British perception of roles is noted here, further comparison between findings and bureaucracy will be returned to in Chapter 11.

9.11 Relating findings on internal relations to cultural theory

Trompenaars and Hampden-Turner (1997) link the importance of bosses giving their staff clear and precise instructions to Specific culture. Giving clear instructions appears to be consistent with the findings here of Czech bosses tending to instruct their staff and of being concerned that staff understand their responsibilities. Although this is consistent with Czech culture being more Specific than Chinese culture, as found by Trompenaars (Table 5.3) and in the cultural survey (Table 6.1), it is inconsistent with British culture, which the same research and cultural survey find to be equally or more Specific than Czech culture. The corroborative statistical tests show a negative correlation, albeit not significant, between Specific – Diffuse and expectations for bosses to instruct their staff (Table 13.6). This is evidence to counter a link between Specific culture and the giving of precise instructions.

Importance of precise instructions is also linked by Hofstede (1991, p. 122) to high Uncertainty Avoidance. In view of the very high Uncertainty Avoidance found by Cragin (1986) for mainland China, it looks unlikely that Uncertainty Avoidance could explain a tendency for Czech bosses to be more concerned than Chinese bosses for giving clear instructions.

Hofstede (1991) links Collectivism to relationships between employer and employee being seen in moral terms. The organisation may then resemble a family with mutual obligations for protection in return for loyalty. The findings here of Chinese expectations appear to support this position.

Hofstede (1991) further links Laurent’s (1983) finding that some national cultures favour detailed job descriptions and formalisation of roles to high Uncertainty Avoidance. The findings here, with Cragin’s finding (1986) of very high Uncertainty Avoidance for mainland China, do not support Hofstede’s position. Instead, the findings here suggest that Chinese culture seeks security in hierarchies

rather than in roles, whereas it is British culture with relatively low Uncertainty Avoidance that looks for roles.

Trompenaars and Hampden-Turner (1997) link concern for conflict of interest with Specific culture. Conflict of interest arises from incompatible roles. The indication in this study that British managers may be more concerned about conflict of interest than are either Czech or Chinese managers, gives some support to Trompenaars and Hampden-Turner's position.

Hofstede (1991) links organisational hierarchy and centralisation to high Power Distance. Trompenaars and Hampden-Turner (1997) link centralisation of authority and little delegation to Collectivism and Ascribed status. The latter point out that to challenge one's colleagues or one's boss in an Ascribed status culture is to subvert accepted order. The findings here show centralisation in Chinese paternal hierarchy, with high importance of staff being reliable and low tolerance of subordinates challenging superiors. Medium Czech centralisation was seen with some expectations of staff contribution as well as reliability and evidence of staff challenging authority. Low British centralisation was evidenced by importance attached to staff empowerment and contribution. This is consistent with Trompenaars and Hampden-Turner's theory as they found mainland Chinese culture to have Ascribed status, Czech culture to be in the mid point between Ascribed and Achieved status, and British culture to have Achieved status. Indeed the corroborative statistical tests support this association with a significant correlation between Ascribed status and hierarchy based upon ability and charisma of bosses as leaders (Table 13.7). These findings on centralisation are also consistent with Hofstede's theory as Cragin measured mainland Chinese culture to have moderate Power Distance compared to Hofstede's measurement of low British Power Distance. This is also consistent with the cultural survey finding of significantly stronger British Egalitarianism than mainland Chinese Hierarchy, with Czech Hierarchy being less extreme than that of mainland Chinese culture. However, Trompenaars' measurements of Individualism – Collectivism (Table 5.3) do not show consistency with his theory of a link between this cultural dimension and centralisation: he found much stronger Individualism in Czech culture than in British culture.

Trompenaars and Hampden-Turner (1997) link Locus of Control to management of people within organisational hierarchies. Managers with an Internal Locus of Control face a paradox. Inner directed managers tend to want to direct those they work with, including their subordinates. Such a manager may expect his or her subordinates also to have Internal Locus of control, and hence to seek to direct other activities and people, but only those confined within their responsibilities assigned by the manager. However, if everyone had a strong Internal Locus of Control, they would all seek to be their own boss and take control of those they work with (Hampden-Turner and Trompenaars, 1993). This paradox can be clarified somewhat by distinguishing External Locus of Control into Locus of Control by Chance and by Other People. Organisational hierarchy may then be seen to be associated with Locus of Control by Other People.

Hofstede (1991) links high Uncertainty Avoidance to Laurent's (1983; Inzerilli and Laurent, 1983) finding of some cultures expecting staff to have no more than 1 direct boss. This expectation is probably consistent with the view of paternal hierarchy found here for Chinese people. It is also consistent with Cragin's (1986) finding of very high Uncertainty Avoidance for mainland Chinese culture. Harrison and McKinnon (1999) point out that in Chinese societies high Power Distance translates into more authoritarian relationships between boss and subordinate, than in other high Power Distance cultures such as in French, Japanese or Korean businesses. This is consistent with the findings here for Chinese interviewees.

9.12 Relating findings on internal relations to empirical research

This grounded theory research started from patterns of perceptions that emerged from the case study, rather than from existing theory. It is therefore hardly surprising if existing theories are not represented by these emerging patterns of the grounded theory. Yet findings here do correspond with some existing theories.

9.12.1 Administrative, social or self control

The literature review (2.3.3 *Types of control in different national cultures – Administrative, social or self control*) showed that there is little corroboration between empirical studies in which cultures favour Hopwood's (1974) alternatives of administrative, social or self control.

Expecting staff to contribute rather than to be merely reliable, and coaching staff in order to encourage their development and empowerment, may have some connection with social and self control. Control of empowered staff, who are expected to use their initiative in making their contributions, may perhaps rely on self and social control more than on administrative control.

Horovitz (1980) found that top British management, relative to top German and French management, prefer to act more as trustees than as sentinels, that is to prefer using self and social control. This British trait has some support from the findings here concerning coaching staff and expecting them to contribute. There is some parallel between the findings here and O'Connor's (1995) findings. He found a greater tendency towards autocratic superior to subordinate relations among indigenous, than among foreign, manufacturing firms in Singapore. As a manager with a foreign MNC in Singapore said:

"You must give more freedom to managers to exercise their judgement and initiative without a sense of being clobbered if they get it wrong" (ibid. page 396).

While the autocratic approach of indigenous Singaporean firms sounds similar to the mainland Chinese attitudes found here, it is well to remember Bond's (1996, page 225) conclusion that it is dangerous to generalise from one Chinese culture to another:

"It is clear at this point that there is no identifiable constellation of values common to all Chinese."

9.12.2 Teams

Empirical studies demonstrate cross-national differences in attitudes to teams and working within groups. Kelly et al. (1987) found significantly stronger attitudes towards co-operation among Japanese managers than among US or Mexican managers. Vance et al. (1992) found significantly greater focus by Thai managers, than by US, Indonesian or Malaysian managers, on group and company performance, as opposed to individual performance. Harrison et al. (1994) found greater focus on individual rather than group centred decision making by Australian and US managers than by Singaporean and Hong Kong managers. They attribute this finding to Individualism. This study takes these findings forward by indicating cross-national

differences in perceptions of what constitutes teamwork: Chinese interviewees here tended to see teamwork as hierarchical rather than horizontal across a flat team. However, these findings do not support a link between Collectivism and a preference for working in teams.

9.12.3 Roles

Child and Kieser (1979) found that in British, compared to West German companies, roles tend to be formally defined to a greater extent in job descriptions and organisation charts. This gives support to the findings here of roles being important to British managers' perceptions of management control.

9.12.4 Centralisation and authority

It was shown above (2.3.3 *Types of control in different national cultures - Centralisation of control*) that previous empirical research findings show some consistency in that there tends to be less hierarchical centralisation in the UK than in France and Germany. Low British hierarchical centralisation is consistent with the findings here that British managers see organisational structure significantly less in terms of hierarchy compared to Czech and mainland Chinese managers.

Research in this study into bases for hierarchies adds to existing research on bases for authority. Hierarchy based upon the authority of able and charismatic leaders has some correspondence with Hofstede's (1991) personal basis for authority. The organisational authority basis for hierarchy identified here has some correspondence to his statutory or rule based authority. Empirical evidence of paternal hierarchy among mainland Chinese people is provided here for his personal relationship based authority, which he also associates with oriental and Chinese cultures.

9.13 Conclusions on internal relations

Findings from selective coding for this key category show considerable differences between managers from the 3 countries in what sort of internal relations are seen as important to providing control assurance. The main differences are illustrated in Figure 9.1.

The central distinguishing feature of Chinese views seems to be paternal type hierarchy. From this follows an expectation that subordinates will be reliable in

fulfilling specific tasks expected of them. This hierarchy includes the relationship of loyalty to the boss, reciprocated by the boss looking after his or her subordinates. For this to work, some level of trust in these interpersonal relationships is needed.

Czech interviewees tended to look for charismatic leadership in their bosses, and to resent restrictive direction from any bosses they do not respect. They generally appeared as individuals willing sometimes to subordinate themselves to hierarchy, but otherwise looking after their own interests. Their loyalty to themselves therefore links back to self interest seen in Chapter 7 and also to individual responsibility in Chapter 8. Czech superiors expected staff to be reliable in following their instructions, while some of them recognised the importance of a wider contribution beyond this reliability.

A distinguishing pattern appeared of British interviewees looking for a role in their organisation while looking after their own interests. There was much less evidence of hierarchy in their views than there was among Chinese and Czech interviewees. British bosses generally expected to coach and guide their staff in order both to empower them to contribute beyond instructions and formal responsibilities, and to foster their development. In defining tasks and perspectives on control issues, roles were seen as important to organisational structures and thus to control assurance. In defining what is expected of people in an organisation, roles link back to British views on responsibilities and accountability. They also link to British perceptions of contracts and relationships in regulating external relations.

Consistency with existing literature was found in particular for findings concerning Chinese perceptions of internal relations. The findings were shown to be consistent with some implications claimed for cultural theory but inconsistent with other claims. Correspondence with previous empirical research was also mixed.

