



Tang, Yayan (2022) *Management controls, government regulations, customer involvement: Evidence from a Chinese family-owned business*. PhD thesis.

<https://theses.gla.ac.uk/82710/>

Copyright and moral rights for this work are retained by the author

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge

This work cannot be reproduced or quoted extensively from without first obtaining permission in writing from the author

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the author

When referring to this work, full bibliographic details including the author, title, awarding institution and date of the thesis must be given

Enlighten: Theses

<https://theses.gla.ac.uk/>  
[research-enlighten@glasgow.ac.uk](mailto:research-enlighten@glasgow.ac.uk)

**Management Controls, Government Regulations,  
Customer Involvement: Evidence from a Chinese  
Family-Owned Business**

Yayan Tang

Submitted in fulfilment of the requirements for the Degree  
of Doctor of Philosophy

Adam Smith Business School

College of Social Sciences

University of Glasgow

January 2022

## Abstract

This research reports on a case study of a family-owned elevator manufacturing company in China, where management control was sandwiched between the state policies and global customer production requirements. By analysing the role of government and customer, this thesis aimed to illustrate how management control operated in a family-owned business and to see how and why they do management control differently. In particular, it focused on how international production standards and existing Chinese industry policies translated into a set of the management control practices through a local network within the family-owned business I studied.

Based on an ethnographic approach to research, I spent six months in the field, conducted over 30 interviews, several conversations, and reviewed relevant internal documents to understand how management control (MC) techniques with humans cooperated in the company. I also understood how two layers of pressure have shaped company behaviour, and how a company located in a developing country is connecting with global network. I also found there is considerable tension among key actors and investigated how the company responded and managed it.

Drawing on Actor Network Theory (ANT), I analysed the interviews from key actors, examined the role of government regulations and customer requirements to see how management control being managed under two layers of pressure, i.e., the government regulations (e.g., labour, tax, environment control) and customer requirement (e.g., quality and production control). Management controls were an obligatory passage point (OPP), and transformation of those elements of Western production requirements and government requirements arrived at the Chinese local factory and influenced management control and budgeting.

The findings suggest that management control systems are not only a set of technical procedures, but it is also about managing tensions. This understanding shows a linear perspective on MC practices rather than a social perspective. However, when we use ANT as a theoretical perspective, we see those actors who, being obliged and sandwiched, and controlled by external forces for them to follow. Consequently, human actors must work in an unavoidable OPP. This is the

tension they face which constructed mundane practices of MC. Hence, MCs are managing such tensions. This study contributes to management control research by analysing management controls in terms of OPP, extends our understanding by illustrating the role of the government and customers, and our understanding of family-owned business from a management controls perspective in a developing country.

# Table of Contents

Abstract .....	ii
Table of Contents .....	iv
Lists of Tables .....	viii
Lists of Figures .....	ix
Acknowledgements .....	x
Author's Declaration .....	xi
Abbreviations .....	xii
Chapter 1 .....	1
Introduction.....	1
1.1 Background.....	1
1.2 A glance at management control research .....	4
1.3 Scope and aims of the thesis .....	5
1.4 Research approach .....	7
1.5 Contributions.....	10
1.6 Thesis structure .....	11
Chapter 2.....	14
Management control: a literature review .....	14
2.1 Introduction .....	14
2.2 The concept of controls in management controls .....	15
2.3 Management control research .....	21
2.3.1 Cybernetics.....	22
2.3.2 Systems theory.....	23
2.3.3 Developments into a contingency theory approach .....	25
2.3.4 Issues in the orthodox control model.....	28
2.4 The Alternative approach .....	32
2.5 Towards managing tensions and informalities .....	36
2.5.1 Genesis of tensions in management controls.....	36
2.5.2 Tensions in management controls: the practice perspectives .....	37
2.5.3 Tensions in management controls in global/local relations.....	39

2.5.4 Informalities in controls within FOBs in developing countries .....	41
2.6 Summary and conclusions .....	44
<b>Chapter 3.....</b>	<b>45</b>
<b>Theoretical Perspectives.....</b>	<b>45</b>
3.1 Introduction .....	45
3.2 A Glance at Actor-Network Theory (ANT) .....	46
3.3 ANT in accounting research.....	47
3.4 Management controls in tensions: the ANT perspective.....	54
3.4.1 Key concepts in ANT .....	54
3.4.2 Obligatory passage point (OPP) .....	59
3.5 Theoretical and methodological justifications.....	60
3.5.1 Theoretical justification.....	60
3.5.2 Methodological justifications .....	62
3.6 Summary and conclusions .....	64
<b>Chapter 4.....</b>	<b>65</b>
<b>Methodology .....</b>	<b>65</b>
4.1 Introduction .....	65
4.2 Philosophical perspectives .....	65
4.3 Ethnography as the research design .....	68
4.3.1 Methodological approach and its rationale .....	69
4.4 Fieldwork .....	72
4.4.1 The empirical site (organisation under study) .....	72
4.4.2 Ethical clearance and entering the field.....	76
4.5 Research methods.....	76
4.5.1 Questionnaire survey.....	77
4.5.2 Interviews, conversations, and follow-up meetings.....	79
4.5.3 Focus-group discussions .....	89
4.5.4 Observations and documentation .....	95
4.5.5 Validation, verification, and assurance .....	98
4.6 Data analysis .....	99
4.7 Summary and conclusion .....	103

Chapter 5.....	104
Government as an actor in controls.....	104
5.1 Introduction .....	104
5.2 The historical context of government regulations in China .....	105
5.3 Deng Xiaoping Theory (1978-1997).....	112
5.4 Towards a New Era (2017 to-date) .....	113
5.5 Regulations for businesses .....	115
5.6 Recent changes relevant to private sector organisations .....	119
5.7 Internalising the ideologies in Management controls .....	123
5.8 Summary and conclusion .....	136
 Chapter 6.....	 138
Customer as an actor shaping control .....	138
6.1 Introduction .....	138
6.2 The Customer Company (CC) and product requirements.....	139
6.3 Reactions and new formation from 2014 .....	151
6.3.1 Reactions .....	151
6.3.2 Creating interests and seriousness.....	152
6.3.3 From problems into a system of control .....	154
6.3.4 Protecting the environment .....	161
6.4 The management control system being constructed.....	163
6.5. Nature of the context specific tension.....	175
6.5.1 Early system.....	175
6.5.2 Present system.....	177
6.6 Summary and conclusion .....	178
 Chapter 7.....	 180
Management controls as management of tensions.....	180
7.1 Introduction .....	180
7.2 Instances of tensions.....	181
7.2.1 The tensions between government actor and customer actor .....	183
7.2.2 The tensions between both actors and local network .....	187
7.2.3 The tensions between MC strategy and implementation of MC .....	190
7.3 Development of an OPP .....	198
7.4 OPP and MC .....	205

7.5 Summary and conclusion .....	208
Chapter 8.....	210
Discussion and conclusion .....	210
8.1 Introduction .....	210
8.2 Overview of the research .....	210
8.3 A reflection on findings.....	214
8.3.1 MC tools: formal versus informal.....	215
8.3.2 MC as management of tensions.....	216
8.3.3 OPP that created tensions .....	217
8.3.4 Tensions being complementary .....	219
8.3.5 Family as the authority of controls .....	220
8.4 Contributions, directions, and implications .....	221
Appendix 1: Data collection framework in the field: questions, rationales and data collection methods .....	226
Appendix 2: Summary of research participants .....	229
References .....	230



## Lists of Tables

Table 4-1: Summary of questionnaire .....	77
Table 4-2: Summary of interviews/conversations.....	79
Table 4-3: The scheme used for the conduct of focus-group discussions .....	90
Table 4-4: Summary of observations .....	96
Table 4-5: Summary of the documentary review .....	97
Table 4-6: Data analysis.....	99
Table 5-1: The major laws affecting private sector businesses in China.....	121
Table 6-1: VDA 6.3 and ISO 9001 .....	143

## Lists of Figures

Figure 4-1: The organisation structures.....	75
Figure 5-1: The ideology of the Communist Party of China .....	106
Figure 5-2: The state authority in China. ....	116
Figure 5-3: The hierarchy of legislation in China. ....	117

## Acknowledgements

I would not have been able to produce this thesis without the support of so many people.

First, I would like to thank all my supervisors, Prof Danture Wickramasinghe, Dr Marco Guidi and Dr Georgios Kominis. Especially Prof Danture, my sincere and heartfelt gratitude and appreciation to his wonderful supervision, this thesis would not have been possible without him. For his insightful guidance, patience, encouragement and hardworking in every stage of this research. I consider myself the luckiest PhD student because I had the opportunity to learn from the best and work under his close supervision. He is the best supervisor I have ever had, not only let me feel doing research is the most fun and exciting thing to do, but also, he is my best career mentor. The one brought me into qualitative research, the one made my mind to work in academia.

Second, I would like to thank my parents. For giving me the opportunities and experiences to receive higher education, supporting me financially in so many years, help me granting my access to conduct my fieldwork, and my life in general. Dad taught me to be a strong, independent and confident person, mom taught me to be nice and kind. They are always being there for me as friends. Without their help, I would not have achieved who I am.

Third, I am grateful to China Scholarship Council, who provides me the full scholarship, allows me to concentrate on my studies. I do believe higher education could change people's life and future, as myself is an example. So I decide to work in a Chinese university, this is my chance to service for the country and make contribution to the society. I have never been so proud.

Finally, thanks to the people who participate in my fieldwork, the rich data helps me to have unique findings. Also thanks all the staff in Adam Smith Business School, those courses, trainings, workshops and seminars really help me grow professionally. It is an honour to study here.

## Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, that this thesis is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Printed Name: Yayan Tang

Signature:

## Abbreviations

ANT	Actor-Network Theory
BSC	Balanced Scorecard
CC	Customer Company
CCP	Chinese Communist Party
ERP	Enterprise Resource System
FOB	Family-Owned Business
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
ICSID	International Centre for Settlement of Investment Disputes
MPA	Manufacturing Process Audit
NPC	National People's Congress
OPPs	Obligatory Passage Points
QSA	Quality Standard Audit
TQM	Total Quality Management
VDA	Verband Der Automobilindustrie
WTO	World Trade Organization

# Chapter 1

## Introduction

### 1.1 Background

Management control research in developing countries has progressed tremendously with a healthy stream of publications in the past few decades (for a review, see Hopper et al, 2009, 2017). With the expansion of privatisation programmes, most studies in this stream have explored how changes had occurred in the practices of management controls in the unique contexts of cultural, political, and social ramifications of those countries (e.g., Wickramasinghe and Hopper, 2005). While these studies marked a turning point in critical research in accounting, most of these studies had confined only to publicly owned enterprises and their formal control systems. As a result, our current understanding of management controls is incomplete as developing countries' 'engine' of their development lies in the performance of private sector enterprises such as Family-Owned Businesses (FOBs). They largely rely on their informal systems - our knowledge of how such systems is constructed and maintained is limited, if not absent (Tsamenyi et al, 2008; Hopper et al, 2009).

It is hard to understand management control practices in FOBs from the standpoint of our understanding of those practices in public sector enterprises as the latter's systems are largely formal and overly politicised (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004). In contrast, as Tsamenyi et al (2008) argued, the control systems of FOBs tend to be more informal but less political. It is known that both public enterprises and FOBs have management control systems with the practices which are culturally and socially constructed in relation to local cultures and politics (Wickramasinghe and Hopper, 2005), but in the case of FOBs, these systems would be operationalised based on family-members' preferences, interests, and historically dependent rituals and practices (Ansari and Bell, 1991).

While there are a few studies in accounting focusing on FOBs (e.g., Ansari and Bell, 1991; Tsamenyi et al, 2008; Stergiou et al, 2013; Ahmed and Uddin 2018), and there are claims that FOBs have been emerging in LDCs (see Uddin, 2005; Hopper

et al, 2009). Although those studies have examined how management control systems are informally organised and maintained, there is a lack of studies richly illustrating how management control systems in FOBs would be constructed in relation to emerging global imperatives which are reconstructed in local economies differently. Even though such imperatives were reflected in the reformulation of management controls in public enterprises through privatisation programmes (see Hopper et al, 2009), we know little about what global imperatives are being implicated in the re-construction of management control systems in FOBs within LDCs. These imperatives would be production quality specifications imposed by global networks of production (Henderson et al, 2002) or environmental requirements imposed by global proponents of sustainable development (Redd, 2013). I considered this observation as my point of departure for my PhD.

Hence, I turned my attention to the FOBs in China, my home country. I observed that these businesses tremendously grew after 1978 when China took a radical approach under the leadership of President Deng Xiaoping. As the new leader of the country, he convinced the people that the country can compete with the world by giving enterprises the power to make decisions or try new ventures (Lingeswaran, 2019). In the last decade, these FOBs in China have become important in terms of the country's economic growth and development in several respects. First, according to the National Bureau of Statistics (2021), the FOB accounts for more than 80% of urban employment while the new employment (being added to the total employment) accounting for over 90%. Second, 65% of patents, over 75% of technological innovations, and over 80% of new product developments come from these FOBs. Third, since 2012, FOBs share of national investments in fixed assets is over 60% in the last five years while it was 80% in the manufacturing sector. Fourth, by the end of 2017, the number of FOBs in China had exceeded 27 million, the number of individual industrial and commercial households exceeded 65 million, the registered capital exceeded 165 trillion yuan, and the proportion of private economy in GDP exceeded 60%. Last, the FOB economy is an important driver for inserting Chinese counterpart of international competition (People's Daily Online, 2018).

Fan Gang, president of Shenzhen-based think tank, China Development Institute, says that the government is depending on private enterprises to boost the country's development.

*“China will increasingly rely on endogenous innovation to spur economic developments in the future, a process that needs risk-takers from private businesses, while state firms, always slower and more cautious in decision-making, are relatively less vigorous and not that willing to take risks,” (China, a State-run newspaper, 17 September, 2018).*

This assertion has been supported by several researchers who studied FOBs in China (e.g., Liu, 2008, Tang et al, 2007, Pistrui et al, 2001). As I will show in Chapter 2, these studies have examined how these businesses grew and what styles of management they maintained. One of the key findings of these studies is that management controls in FOBs are mostly informal and ad hoc and subject to various external conditions and obstacles (Tsang, 2002).

The persistence of informality and the imposition of conditions can be a mechanism of the construction of management control systems. As I have shown in Chapter 4, my initial discussions with the owner and senior managers of the FOB I selected made me think further how such a construction would occur. While previous studies investigated how traditions and cultures were implicated in the persistence of this informality (see Ansari and Bell, 1991; Tsamenyi et al, 2008; Uddin, 2009), little studies paid attention to the roles of human and non-human actors and the tensions being developed between their actions. The case study I have chosen had such tensions as the actors were to be involved in addressing the issues of meeting global production and quality requirements and in adhering to government's regulations regarding environmental and labour issues. Hence, I was comfortable with the chosen case study to undertake an analysis of this tension using Actor Network Theory (ANT) as a framework which has been used to capture the notion of tensions (see Cooper et al, 2017). In short, I chose the case study in view of studying management controls from the standpoint of actors' constructions in contexts where there are persistent informalities and externally imposed conditions which lead to tensions to manage (cf. Preston et al, 1992; Briers and Chua, 2001; Cruz et al, 2009).



## 1.2 A glance at management control research

Management control has been a well-researched area in management accounting. Researchers have explored organisational and social aspects through both quantitative and qualitative methodologies (See Hopper and Powell, 1985; Neimark and Tinker, 1986; Wickramasinghe and Alawattage, 2007; Berry et al, 2016, 2019). Under organisational approaches, they have mainly taken a contingency theory approach to see linear relationships between accounting systems and contingent factors (e.g., Khandwalla, 1972; Gordon and Miller, 1976; Gordon and Narayanan, 1984; Merchant, 1990; Otley, 1980; Otley and Chapman, 1997; Chenhall, 2003; Berry et al, 2016). These studies considered both external and internal factors to know management control systems are shaped and changed. However, some critical researchers have critiqued these studies because of the pitfalls of the methodological and theoretical approaches the researchers followed (e.g., Wickramasinghe and Alawattage, 2007; Hopper and Powell, 1985; Hopper et al, 1987; Neimark and Tinker, 1986).

In response to these critiques, another group of researchers looked at the social aspects of management control systems, and they considered these aspects to know about management controls and their everyday practices in relation to wider a socio-economic and political context (e.g., Hopper et al, 1987; Neimark and Tinker, 1986; Cooper et al, 1981; Cooper, 1983; Hopper and Macintosh, 1993; Hoskin and Macve, 1986). These researchers borrowed theories from the social sciences such as sociology, history, political theory, and anthropology to know about management control practices in relation to wider contexts (see Wickramasinghe and Alawattage, 2007). And these researchers have adopted qualitative case study methods to provide details of the practices and events and situations which shaped those practices. Although this is not mainstream management accounting research, many European academics promote this approach with the publications in journals such as *Accounting, Organisations and Society*, *Critical Perspectives on Accounting*, and *Accounting, Accountability and Auditing Journal*.

Having reviewed the literature in the above two extremes of management control research, I developed a broader understanding of the subject which led me to think of a management control study to explore the question of how management

controls are constructed in an FOB in a developing country such as China. This question is an important and unexplored one as per the literature I have reviewed in Chapter 2. To my knowledge, in the discipline of management accounting, there are noticeable studies showing how everyday practices of management controls in these enterprises have been organised and maintained (Wickramasinghe and Alawattage, 2007). Although there are many studies in other disciplines about the contributions of these enterprises to the Chinese economy (see Liu, 2008; Tang et al, 2007), there are little studies reporting on how management controls are constructed in Chinese FOBs.

### **1.3 Scope and aims of the thesis**

So, the scope of this thesis is studying how a management control system was constructed in the selected FOB in China in relation to actors' actions (cf. Berry et al, 1985; Preston et al, 1992; Briers and Chua, 2001; Wickramasinghe, 2015). Conceptually, management controls in such businesses are meant for the use of management tools towards accomplishing the goals the owners and managers set (Berry et al, 2016; Wickramasinghe and Alawattage, 2007). Formally, these management tools may include budgetary controls, performance measurements, risk management protocols, cost management procedures, quality assurance schemes, internal audits and inventory controls, and the like. As an alternative term to management accounting, management controls aim at controlling anything and everything with strategies and related measures (Wickramasinghe and Alawattage, 2007).

However, as I mentioned earlier, in the construction of such management controls in an FOB, there are informalities and conditions which interact with formal practices such as budgetary controls, cost management, quality management, and the like. Seen from an ANT perspective, this interaction can be materialised through human and non-human actors' actions in a network which operates for a purpose. While the prime purpose of such a network would be to sustain the business in the context of global competition, there can be a tension as this purpose would contradict with environmental and labour laws being imposed by the government. Hence, there can be a complex social construction towards a system of management control acceptable to all parties in the network - both human and non-human actors. The actors would pass through both formal systems

such as budgeting and informal systems such as ad hoc meetings and physical involvements which need a close understanding.

Hence, concerning the context of FOBs in China, I have two aims of this study. The first is to understand management control in action in relation to the interaction between formal systems and informal systems and to the conditions being imposed by global product-quality requirements and local government regulations. When I say, 'to understand', it echoes an attempt at knowing what the actors perform in terms of management controls and exploring how they act upon such controls differently (i.e., informally) in relation to the circumstances they are in. In short, exploiting the possibilities of doing a qualitative case study, I aimed to construct actors' inner psychology according to how they expressed in relation to their circumstances featured by a continuous interaction among formalities, informalities, and resultant tensions. To achieve this aim, I posed several interrelated questions: What does an FOB do in terms of management controls? How do they deal with the interactions occurring between formalities or informalities? How do they manage tensions when they are regulated or governed by someone or something else?

The second aim is to analyse that psychological construction, according to the recent developments in ANT-inspired accounting research, echoed the roles of tensions in constructing and maintaining acting networks (see Cooper et al, 2017). Such tensions emerge, as ANT researchers have emphasised (see Cooper et al, 2017), in what they called Obligatory Passage Point (OPP) through which old practices are questioned and new solutions are promoted. When both human and non-human actors act upon a purpose, they must pass through this OPP in view of managing tensions being developed. Sometimes, these tensions could be due to contradictions between old practices and new solutions, or they could be due to disagreements between actors as there are multiple conditions to meet. Hence, in achieving this second aim, echoing the idea of OPP, I 'explain' why management controls operate in a particular manner under certain circumstances. To this end, I have posed more related questions. Why does management controls exist in the first place? Are there any key factors behind this existence? Can they be only internal factors or anything coming from the external environment? Why are those factors important in explaining the construction and maintenance of management

controls in an FOB? These questions allowed me to use a theoretical framework to offer the expected explanations.

So, overall aims of the thesis are to: (1) understand how management controls exist, operate, and persist in an FOB in a developing country; and (2) to explain such existence, operation, and persistence, using an angle of ANT. These aims are important to achieve as both academics and policy makers in China are not aware of how management controls are linked to the efficiency of FOBs. Hence, my aims will have both academic and policy-oriented characters which will need both conceptual and practical efforts.

## **1.4 Research approach**

As was mentioned at the beginning, management control research is rich in terms of exciting findings and a variety of research approaches. These range from quantitative-positivistic research (e.g., Libby and Lindsay, 2010) to contingency type research (Otley, 2016) and from interpretive studies (e.g., Briers and Chua, 2001) to critical studies (e.g., Wickramasinghe and Hopper, 2005). After reviewing these approaches, I was impressed by the interpretive tradition which aims to explain what is going on in an organisational context of management control and to offer a theoretical explanation about it (see Roslender, 2017). This approach appreciates and promotes conducting case studies and using a social theory to offer suitable explanations for what is happening in respect of management control in an organisational context.

As Wickramasinghe and Alawattage (2017) explained, interpretive research in management control has a bit of history with an exciting publication by Berry and his research team in 1985 (see Berry et al, 1985). They studied the UK National Coal Board and illustrated how management controls were dominated by production controls rather than by financial controls such as budgeting. They argued that budgeting was de-coupled from operations due to the nature of the production culture in that organisation. Later, many researchers followed this approach and added many theoretical explanations (for a review, see Baxter and Chua, 2003). Researchers now know that they need a case study with comfortable access and a theoretical perspective to offer theoretical explanations for how

things happen. As a result, there is a rich literature on this tradition which I shall review later in the thesis.

In my study, I decided to follow the same path. Firstly, as I mentioned earlier, I gained access to an FOB where I was able to collect empirical materials with no obstacles. This is an engineering-based organisation producing elevators and selling them in the Western market. As an FOB, it must follow on the one hand, government regulations, mainly employment laws, environmental requirements, and tax laws and, on the other hand, customers' product, and quality specifications. With the access I gained, I was able to understand how these external pressures shape the nature of management control. When I wanted to explore what is going on, what I found was that management control is not an internal configuration which can be used according to the preference of the owner of the business. Instead, it was continuously shaped and reshaped by those external pressures. All planning, decision-making, performance measures, internal financial controls, production control, quality controls, and final delivery of products were shaped by these pressures.

To understand this, I conducted interviews with key actors of the enterprise. The questions I asked were based on my aims of the thesis, but these interviews resulted in detailed discussions with the respondents so that I was able to collect rich materials about how things happen regularly (details of fieldwork will be shown later in Chapter 4). Hence, the interview questions were a guide to probe more areas which I did not know beforehand. For example, when I asked about production controls, they described that all depends on how they were able to meet the quality requirement, but they also mentioned that they must meet a variety of government regulations. These discussions then led me to understand that management controls are a manifestation of the management of tensions between the government regulations and customer requirements. This allowed me to define and interpret the practice of management control in its context as Berry et al (1985) did, but in a different context.

So, the case study was done through a fieldwork during a period of six months from June to December 2019, for which I obtained ethical clearance from the University of Glasgow. As I was in the field, the interviews and discussions were supported by available documents which showed how management controls were

facilitated by them. These documents included the enterprise's plans, budgets, and correspondence with government agencies and customers. These documents were supplementary tools in management controls as I was told. Moreover, I was able to triangulate the documents, interviews, and discussions with physical observations (Silverman, 2013; Yin, 2015). Most of the things which went on were clear when I saw their processes and everyday practices. These observations were made by observing during meetings, by watching how people work, and by understanding how they communicate with each other.

After completing the fieldwork, I had time for personal reflection. During this time, I got the interviews translated and transcribed and read them through repeatedly until I found an interesting theoretical aspect. One key theme I followed was the 'tension' between government regulations and customer requirements. Simultaneously, I read and understood alternative social theories which have been used in management accounting and control research in the past decades (Wickramasinghe and Alawattage, 2007) and the issues of management controls in developing countries (Hopper et al, 2009). This reflection and engagement allowed me to decide to use ANT (Latour, 2005) which explains that there are both human and non-human actors in any social setting (such as FOBs) who network to create practices. Reading further, I found some researchers focusing on the notion of OPP where tensions occur (see Cooper et al, 2017; Callon, 1986) and management controls are shaped accordingly. Details of this framework are presented in Chapter 3.

When I began to use the notions of ANT and OPP, I found there were some gaps in my empirical materials as I needed much more details about how OPP operates and shapes management controls. I then conducted a series of telephone conversations with the actors who faced such situations. Hence, I felt that data collection, data analysis, and the use of the theory was a bit of a process until I settled with an argument for the thesis. Data analysis and the use of theory happened not only at the analysis phase, but also in the writing and re-writing phase. I had telephone conversations during the writing as well to fulfil my requirement. The consequent analysis is presented in Chapter 6.

There was no need to generalise my findings in empirical terms. Instead, I used the theory to offer a theoretical generalisation. That is, OPP can happen anywhere

in a social setting, be it in a large multinational organisation, in a public sector agency, or in any social group (such as Facebook). Tensions can be due to different factors and obligations. Hence, OPP can be created differently according to the nature of the networks and the actors involved. This understanding can be further studied in different working networks of actors. This is the value of theoretical generalisation as opposed to statistical generalisations as in the case of quantitative-positivistic studies.

## **1.5 Contributions**

This thesis will have three main contributions. Firstly, it significantly extends the work of management control research by analysing management controls in terms of OPP. Previous studies in management controls defined them as responses to contingent variables (e.g., Otley, 2016), or as a way of controlling people and activities in an organisation through using technologies and disciplinary mechanisms (e.g., Hopper and Macintosh, 1993), or as a way of doing the same controls in wider societal context which is called societies of controls (e.g., Jordan and Messner, 2009) or as an incomplete attempt in making controls (e.g., Jordan and Messner, 2012). In contrast, in this study, the notion of management controls is defined as an OPP through which tensions are managed as an everyday practice (cf. Cooper et al, 2017). Future researchers may explore this idea to know more about how tensions create OPP and shape management controls differently in different organisational settings.

Secondly, this study extends our understanding by illustrating the role of the government and customers. Contingency theorists, for example, offered several contingent factors to understand how they shape management controls. But in this study, I introduced two important factors not to show how they affect in a linear manner but to show how they are related to the shaping of controls on a daily basis. In this thesis, I argue that external factors such as these contingency factors cannot just affect the performance of businesses. Instead, they shape the practice of management controls through the interactions and workings of both human and non-human actors in attempts at creating networks which are fragile and temporal (Briers and Chua, 2001; Preston et al, 1992; Cooper et al, 2007; Jones and Dugdale, 2002). Hence, on a daily basis, the practices are produced, discarded, and

reproduced in different ways in response to external factors such as government regulations and customer requirements.

Thirdly, this thesis extends our understanding of FOB from a management controls perspective. There are many studies on SMEs (Small and Medium-sized Enterprises) illustrating how they operate and how they manage their businesses in today's world (Pisar and Bilkova, 2019). However, there are little studies showing how acting networks manage them through the practices of management controls. In my study, I argued that without acting network (with both human and non-human actors) and their dealings with the issues of OPP is the way of life in FOB. Rather than focusing on technologies and efficiencies in a variety of tools of management, the practices of management controls and underlying issues seen in OPP can be a way of thinking about FOB and their operational efficiencies and organisational effectiveness. Future researchers may extend this understanding by undertaking more FOB studies to explore more factors affecting OPP and then shaping management controls.

## **1.6 Thesis structure**

The thesis is presented in eight chapters including the present one. While the present chapter (i.e., Chapter 1) outlines the background of the thesis, management control research, purpose, approach, and contributions, in Chapter 2, a literature review is presented to elaborate the concept of management controls and its research. This review will identify the research aims and questions which I have shown at the start of Chapter 1. The chapter contains a review of both organisational-type research, which relies on contingency theory approach, and the management control research which relies on social and political theories as well the issues of the management of tensions within global/local relationships. This review is necessary to clear up how far management control studies have been developed and to find a research gap to locate the questions I identified in this Chapter.

This proceeds to Chapter 3, where I elaborate on the theoretical perspective I briefly introduced above. In this chapter, first, there is an elaboration of the definition of ANT and then an introduction to the related concepts of ANT. This will lead to a review of accounting studies which used ANT as a framework. This



understanding is useful for me to look at how OPP can be used as a useful concept to extend the discussion of accounting studies which used such ideas within the broader framework of ANT. These reviews and explanations are important to justify the importance of research questions identified in Chapter 2. Overall, for analytical purposes, this chapter provides a framework for doing the data analysis.

Chapter 4 will then be on methodology and research methods. It will describe why a qualitative approach was chosen and how I did the fieldwork to come out with the findings. It starts with a discussion of philosophical aspects of qualitative methodology as it is important to rationalise the use of the research methods I adopted in my fieldwork. This lead to describe the situation where I did the fieldwork and how I collected and analysed the data using the theoretical framework. This description is important for emphasising the credibility of the data and their uses in my thesis with a view to achieving the aims.

Chapter 5 is the first empirical chapter where I provide an analysis of the broader context of the FOB - that is, the essential environment in which Chinese FOBs have to run their businesses. As I will be showing, it is the context of government regulations which connected the government to the FOB through a network of human and non-human actors. As I will be using ANT as a theoretical lens, I see this relationship in that way. Based on this understanding, the chapter offers not only a description of the context but also an analysis of this context based on theoretical ideas I have outlined in Chapter 4. It describes for the reader to know where I did the study and the nature of its regulatory environment. But also, it analyses how this shapes management controls in the FOB.

The last empirical chapter is Chapter 6. It offers further analysis using the theoretical perspective to illustrate how the customer's product specification requirements also shape management controls in FOB. While this illustration was linked to the illustration shown in the previous chapter, in this analysis, I emphasise that there is another side of the network inserting a tension between government regulations and product specifications. This tension is an everyday practice as employment laws and environmental protection could not directly relate to customer demands in the context of China.

In Chapter 7, I will discuss the findings presented in Chapters 5 and 6. The purpose of this chapter is to emphasise the nature of the tension that emerges and

maintains daily and shapes the nature of management controls accordingly. In this way, I could define management control as the management of such tensions being merged in a context of an acting network. This tension is explained using the concept of OPP. Moreover, in this chapter, I show how I offered to show that my contributions are coming from the study I have carried out in relation to the literature in management controls. Finally, the thesis culminates with a conclusion presented in Chapter 8.

## Chapter 2

### Management control: a literature review

#### 2.1 Introduction

As I outlined in Chapter 1, this thesis aims to understand how management controls are practised in an FOB in China. While the scope of this study is around management control practices, I aimed to understand how the practices can be seen in action through an acting network and to explain why such actions and networks are created and maintained for occurrences of these everyday actions of management controls in the context of an FOB in China. As I mentioned earlier, this task of the thesis is important as there are only a few such studies in management accounting research, especially in developing countries such as China.

The purpose of this chapter is to offer a literature review of the extant literature pertaining to management control research leading to identification of areas that should be investigated in the present research. Commencing with an examination of the broader idea of management control, the chapter will look at its research in its entirety. This will gradually focus into more selected areas, viz., current knowledge with respect to developing countries. The chapter will pay attention to a survey of literature on the contents covered, as well as relevant aspects of broader theorising, as the use of theories is debatable, especially the theories being used in mainstream contingency theory approach and critical research in management controls. In this regard, I will first look at management control research which relies on organisational aspects, mainly through contingency theory approach, and then research which relies on social theories and qualitative methods.

The chapter is organised as follows. In section 2.2, the fundamental concept of management will be explored in order to offer a working definition for the study. This will pave the way to appreciate research developments in Section 2.3 where I will pay attention to the evolution of management control research with a critical evaluation. In section 2.4, emphasis is given to examine how researchers look for

alternatives to the orthodox model of management control in order to address the issues identified. In Section 2.5, there is a review of the literature of management controls under tensions and their implications for informalities and FOBs in developing countries. Section 2.6 summarises and concludes the chapter.

## **2.2 The concept of controls in management controls**

As I mentioned in Chapter 1, management controls entail everyday practices ranging from planning, decision-making, target-setting, performance measurements and the like. Before exploring this idea, it should be necessary to have a broader (and earlier) understanding of the concepts, viz., controls, accounting controls, and management controls as well as their role in organisations. The term 'control' carries many connotations with the two prominent ones being, (i) domination of one individual or group by another through the exercise of power *and*, (ii) regulation and monitoring of activities (See Rathe, 1960). The latter carries a resemblance to the original French term *inspection* as well as the connotation in which it is used in several European languages (Hofstede, 1968). Webster's Dictionary embraces both these aspects in defining 'control' for business purposes which runs as '*application of policies and procedures for directing, regulating, and co-ordinating production, administration, and other business activities in a way to achieve the objectives of the enterprise*'. This, inadvertently, agrees with its use in management and accounting based on scholarly papers from developed as well as developing countries.

Hence, beyond a business organisation, control is a broader concept akin to management of any organisation or any form of social practice such as projects, programmes, and even social activities. This is a broader concept because it can be applicable to any of these social activities or practices. In these social activities, there can be both people and other resources such as technologies, regulations, and procedures. Controls are intermingled with all such things leading a manager or an organisation as whole to deal with various issues. These issues can be related to establishing control practices and maintaining them without having to face any managerial problem. As Alawattage and Wickramasinghe (2009) mentioned, control is difficult when they try to maintain the status quo with a proper agreement with all parties engaged. Hence, I will explore how controls are linked to organisations.

### ***Controls in organisations***

As I mentioned above, the notion of control is central to management control practices in any social setting, be it a private company, a public agency, or an NGO. It is central because it is an inescapable feature of all those human organisations (Berry and Otley, 1980). This is evident as per observations of various researchers. For example, Tannenbaum (1968) observed that an organisation cannot function with some suitable form of control; McMahon & Ivancevich (1976) observed that controls must need a universal agreement for any organisation to function, and Berry (1980) emphasised that an organisation itself is a system of control where there are groups of people aiming at achieving a common purpose. Further, Etzioni (1961) asserted that organisations usually have goals, but they can only be achieved by establishing and maintaining controls. Thus, it is evident that control processes are a fundamental part of organisational activity which leads one to the sphere of management control. Hence, regarding an organisation, management control is about controlling activities and people in a formal social setting in order to achieve a common goal but everybody in the organisation must have a common understanding of both goals and control mechanisms (Berry and Otley, 1980).

This means controls are not simply a set of technical practises which people adopt as something available for them to follow. Instead, as I mentioned earlier, it is a social practice where people relate the technical practices through other people in the organisation. These people can be top managers, middle managers, or workers. Normally, top managers control the others so that they are the controllers and others are the controlled. The question is how top managers can get the consent of the others to exercise their need to control. It is expected that top managers' expectations are to be respected by the others so that there can be a proper adherence to those expectations for controls to be achieved. But this is not the case in practice. Hence, this question is difficult to answer without consulting management control theories developed in the past.

Management control theories are very broad, and they come from other disciplines. Hence, the theory of management control can be traced to the pioneering works of key organisational philosophers and sociologists such as Weber, Durkheim, Pareto, and Follett (Berry and Otley, 1980; Wickramasinghe and Alawattage, 2007).

The latter, to whom much of the ideas of modern control theory is attributed, notes that the manager controls not only single elements in an organisation but also complex interrelationships within it. Hence, the basis for control lay in self-regulating and self-directing individuals and groups who recognise common interests and objectives within a given situation. Berry and Otley (1980) observes in Follett (1986) an idealist bent on search for unity in organisations who sought 'fact control' not 'man control', and 'co-related control' not 'superimposed control'. Further, Follett saw coordination as the reciprocal relating to all factors in a setting that involved direct contact with all people around. The application of these 'fundamental principles of organisation' was the control activity itself leading to ensure predictable performance for the organisation. This understanding is important for me to see the fact that control is about dealing with people in an organisation for their cooperation.

Another source for management control is scientific management which is frequently associated with the work of JB Babbage (1830s) and FW Taylor (1860s), among others, who were concerned with improving manufacturing systems, analysing operations, assessing the requisite skills, and computing expenses of processes with focus on suggesting pathways for improvement. This happened at the start of the 20<sup>th</sup> century where there was a need for enhancing efficiency in industrial enterprises in Western countries. The central idea behind this was that every action must have a scientific basis which can maximise the outputs in relation to inputs. In particular, Taylor preached these ideas in the early years of the 20<sup>th</sup> century through which they became popular and globalised (Wickramasinghe and Alawattage, 2007). This led the foundation for scientific management which developed certain principles for maximising efficiency based on the idea that everything must have a science to follow so that efficiency can be achieved. But this needs control, otherwise there can be deviations from scientific directions.

Later, as Hopper and Armstrong (1991) observed, these ideas led to developing cost accounting systems that used information flows, classification of costs, statistical control devices, and other innovative tools which led to 20th century processes of management control (see also Fink, 1874; Wren, 1994). Initiated in numerous manufacturing and service facilities such as steel mills, textile mills,

railways, and later large trading concerns in the UK and US, these marked the birth of accounting controls which have been an essential part of the overall package of management control (Berry et al, 2016). However, as management control functions in a package, in practice one cannot separate a specific type of control from another type. Hence, control types, such as cost controls, production controls, quality controls, employee controls, and so on work together as an overall package (Berry et al, 2017).

Thus, theories of controls are a set of explanations based on sociological understanding, but this understanding cannot be clear without relating it to practices. As I have mentioned, Taylor's scientific management is such a practice that can be used to understand what Max Weber mentioned about controls. In other words, as Wickramasinghe and Alawattage (2007) mentioned, Weberian model of controls can be better understood by seeing it with the help of the ideas and practices developed under Taylorism which also generated cost accounting practices (Hopper and Armstrong, 1991).

### ***Development of management control ideas***

Management control thoughts within the discipline of management accounting were developed through the efforts of management accounting researchers (Wickramasinghe and Alawattage, 2007). For this, a review of management control literature is needed. But before dealing with the issues in management control research, I will observe a set of ideas that has been developed over the years. Although these ideas were debated, it is worth looking at them before getting into such debates.

One of the ideas is that, as I have already observed, control exists in an overall package rather than separately as a set of discrete practices. In other words, control cannot be standalone being isolated from other management practices such as production and operations management, HRM, marketing management, strategic management, supply-chain management, and so on. Hence, management controls are implemented via developing and maintaining general management information systems of which accounting controls are a component. In this regard, as Berry and Otley (1980) observed, the role of accounting controls is one of several integrative devices in an organisation which have explicit roles,

but accounting controls offer a quantitative profile for the package of controls. This package provides not only a language for managers to use but also a set of procedures that can allow the organisational members to engage in performance measurements based on a developed and agreed set of standards. Hence, the accounting dimension of controls provide an attention-direction to ensure that people involved follow the standards and operate accordingly. It is key to control as when deviations are observed, then the controlled must be accountable for giving reasons for their conduct (Roberts and Scapens, 1985). In order for this to happen in an organisation, controls must be practices within the broader package of organisational information system.

However, there are some caveats to this understanding. For example, Berry and Otley (1980) note that accounting procedures and reports need to be of limited use in devising predictions for purposes of control. This is owing to variables used in predictive models of organisational performance being considered outside the scope of accounting for two reasons. They are needed for information from sources external to the firm other than financial markets, and variables necessary for prediction being difficult to measure in quantitative terms. This has led to the belief (amongst accountants) that provision of such information lies outside the scope of accounting procedures, although, according to Mintzberg (1975), such information requirements of managers should invariably be met. In this way, the package idea of management control makes sense. That is, management control must be seen as a package rather than separating it from accounting controls. In other words, accounting controls must be seen in the broader context of management control.

However, it does not mean that accounting controls are secondary to any other form of controls. Rather, accounting control must be equally considered for maintaining a better system of overall organisational controls. The relevance of accounting controls to organisational control is discussed at length under the general title of management control by Anthony (1965) who presented the renowned definition of management control. According to him, it is a process of obtaining and using resources effectively and efficiently based on the goals set by the organisation. In that sense, management controls are ways of achieving organisational goals. However, whilst this created initial applause, this definition



confines to a narrow accounting framework. Berry and Otley (1980), in particular, note that this definition clearly distinguishes management control from strategic planning and operational control so that it is about maintaining controls through accounting practices. Accordingly, the problem of defining organisational goals is relegated to the realm of strategic planning. Further, the issue of ensuring that desired activities occur, is left to operational control. The purpose of this simplification is to define an area of study which can ignore the great differences in organisation that occur due to technology and environment, so as to be able to discover a universal system of management control. This gives rise to a weak concept of management control which may have been valuable as an initial thought, but with the disadvantage of leading to a narrow view of the management control process (Wickramasinghe and Alawattage, 2007).

The narrow view is that management controls were considered only through the angles of accounting technologies such as calculations and related performance measurements systems. But in an organisation, the aspects of performance can be seen beyond accounting perspectives. These may include other organisational functions such as operation, marketing, HRM etc. Organisational goals capture these aspects as well. Hence, researchers argue that management controls must be seen from a much broader perspective beyond the accounting centric perspectives. Hence, while Anthony's ideas were useful, researchers went beyond those ideas to think about management control much broadly.

Considering this requirement within the space of a few years, Lowe (1971) proposed a wider definition where he conceptualised management control by capturing a broader organisational perspective. For this, he included organisational information seeking and gathering functions, accountability and feedback designs, and employees' behaviour in management control. Hence, the purpose of controls is to accommodate all such aspects, measures, and operational sub-goals in relation to the overall organisational goals and to ensure that any issues regarding any discrepancies can be addressed leading to organisational stability. These address limitations encountered in prior definitions and positions management controls on a broader pedestal, which is indicative of the interest created among scholars for the construction of accounting control systems that are in alignment with organisation theory.

Later, textbook writers captured this idea to add a 'managerial emphasis' to management accounting and controls. For example, Horngren (1972) accommodated organisational aspects in management accounting treatments in order to show how management accounting and control systems can be constructed. This necessarily implicates that the design of a control system and the design of an organisational structure are inseparable and interdependent. Berry and Otley (1980) have also lamented that very little attempt has been made towards this end. Previously, Hopwood (1974) was of the view that accounting controls were mostly designed on the basis of strictly hierarchical organisations, with well-defined responsibilities at each level and overall knowledge and control concentrated at the top of the organisation. He also stated that something approximating to such an organisational structure may be appropriate where an organisation faces a stable technology and environment, ironically a situation where accounting controls are of least use (Hopwood, 1974).

This line of thought is further extended by Machin (1983) who observes management control systems as an interesting research domain. Thereby, management control systems are brought into the realm of research where each of the terms 'management', 'control' and 'system', is defined with a research focus for researcher to explore a variety of underlying issues. For Machin, management control systems are formal, but it is also a process where people who are involved assuring how resources are obtained and used effectively and efficiently. Hence, researchers needed to explore not only technical aspects of this process but also issues of people's involvement. Machin argues that previous research related to management control was led largely by qualified accountants. Hence, research questions were less critical, leading to less philosophical analyses. Hofstede (1978) saw this as the 'poverty of management control philosophy', even though his research was also later criticised (Hopper and Powell, 1985). Thus, over a relatively short period of time, a gradual progression of thought and a research orientation in the sphere of management controls are witnessed.

### **2.3 Management control research**

As I mentioned at the beginning, developments in accounting and management control have followed and lagged developments in management theory (Parker,

1986). Likewise, a similar trend is observed with respect to management control research in comparison with developments in accounting and management control literature (Berry & Otley, 1980; Otley, 1995). In this backdrop, I will trace the evolution of management control research with a view to identifying specific gaps or themes missing which could be addressed in the present study in some way.

Mainly, this development can be divided into two main traditions. The first is the research developed with a functional orientation (Hopper and Powell, 1985). This was based on the ideas of cybernetics and the systems theory which serve as the basic designs for visualising and modelling management control systems. This development led to the approaches to management controls in terms of: Closed-rational; Closed-natural, Open-rational and Open-natural (Stott, 1981). Since then, this framework had been used to advantage by Otley et al (1995) in their review article. The second is the research developed with an interpretive and critical tradition. This was expanded in several ways, but I will highlight its features in terms of the researchers' inclinations towards conducting context-specific case studies using social theories to give meaning to the findings and linking local stories to global issues of the contemporary world.

### **2.3.1 Cybernetics**

Organisational theory in general and management controls in particular have been influenced considerably by cybernetics (the science of communication and control) (Weiner, 1948). The ideas of cybernetics, with roots in biological and engineering sciences, have been adopted for use in the control of organisations. Among the early proponents, Tocher (1970) observes some interesting and useful properties that can be applied to the control of organisations. Accordingly, four necessary conditions are identified before a process can be said to be controlled: an objective for the system being controlled; a means of measuring results along the dimensions defined by the objective; a predictive model of the system being controlled; and, a choice of relevant alternative actions available to the controller. Whilst there exist problems in transferring systems ideas to organisations, the most fundamental problem is the apparently inevitable division of labour between the controllers and the controlled, that is, the distinction between the dominator and the dominated.

As cited in Berry and Otley (1980), the major contribution of cybernetics has been in the study of systems of high complexity situations (Ashby, 1956) while Wisdom (1956) explains the behaviour of complex systems primarily in terms of relatively simple feedback mechanisms. There have been a number of attempts to apply cybernetic concepts to the issue of management control, but they have all largely been of a theoretical, though based on empirical data. In the meanwhile, Otley and Berry (1980) applies Tocher's (1970) cybernetic model to organisational control. While maintaining that effective control depends on the existence of an adequate means of predicting the consequences of alternative control actions, they also argue that feed forward (anticipatory) controls are likely to be of more importance than feedback (reactive) controls. This, according to them, is in conformity with previous comments by Ashby, who points to biological advantages in controlling 'not by error but by what gives rise to error', and Amy (1979) who stresses the importance of anticipatory control mechanisms in business enterprises.

Berry and Otley (1980) also informs that the most insightful use of cybernetic ideas applied to management practice is also one of the earliest. Vickers (1965, 1967) had applied many cybernetic ideas to management practice during the 1950s. Although developed in a primarily closed systems context, Vickers also started to explore the issue of regulating institutions from a societal perspective. However, extending these ideas further, Beer's (1972) major contribution lies in his attempt to tackle issues related to the overall societal and political context within which more detailed organisational forms and controls emerge. This is a theme which is picked up and utilised, though in a different form, by the radical theorists of the 1980s and 1990s. However, overall, cybernetics provide a language in which any of the central issues of management control may be expressed.

### **2.3.2 Systems theory**

The cybernetic ideas extend itself to accommodate the general systems theory as well as its deviant, the 'soft systems' approach (Checkland, 1981). Its central contribution has been in the systemic (holistic) approach it adopts, causing attention to be paid to the overall control of the organisation, in contrast to the systematic approach dominant in accounting control. Though a fallacy, systematic

viewpoint carries the view that multiplication of 'controls will lead invariably to overall control'. In fact, cybernetics and systems theory have developed in such an interlinked manner that it is difficult to draw a meaningful dividing line between them, although a simple distinction would be that cybernetics is concerned with closed systems, whereas systems theory specifically involves a more open perspective. Thus, one would even argue that cybernetics forms a subset of the systems theory. Although developed in a primarily closed systems context, it can explore the issue of impacting institutions from a societal perspective. Understandably, systems thinking is primarily a tool for dealing with high levels of complexity, particularly with reference to systems which display adaptive and apparently goal-seeking behaviour. It further stresses the importance of emergent properties which are characteristic of the level of complexity being studied. They, however, do not have meaning at lower levels and are of relevance only when such properties are possessed by the system and not by its parts (Lilienfeld, 1978).

Some useful conceptual distinctions are drawn by Lowe and McInnes (1971) who attempt to apply a systems approach to the design of management control systems. An important extension is observed to the deviant called 'soft' systems (i.e., systems which include human beings, where objectives are vague and ambiguous, decision-making processes ill-defined, and where, at best, only qualitative measures of performance exist) by Checkland (1981) and Wilson (1984). One of the central issues with which the 'soft' systems methodology has to cope is the introduction of objectives to the system. Although it (soft systems approach) has had considerable success in producing solutions to real problems, it does not appear to have contributed to the development of the theory of control. It is more an applied problem-solving methodology in its present form rather than a research method designed to provide generalisable explanations. This raises the issue of the nature and type of theories that can be expected in such a complex area of human and social behaviour. However, the management control research that unfolds in the sections to follow illustrates the profound impact the systems theory has had on the area of investigation.

### 2.3.3 Developments into a contingency theory approach

Early years of management control research extending to the late 1960s (e.g., Woodward, 1958, 1965, 1970; Burns and Stalker, 1961; Drucker, 1964; Simon et al, 1954) was frequented with continuing emphasis on rational solutions within closed systems model of organisation, which are universalistic in nature. With closed economies rampant the world over, organisations were then defined largely in terms of internal operations with little interaction with the external environment. This was following the closed system mind-set with the overarching theme of seeking 'one best way' to operate a control system. A much-quoted example under this perspective is the application of budgetary control in organisational settings in Europe and US by Hofstede (1968). The study attempted to reconcile the US findings that budgets were extensively used in performance evaluation and control but were associated with negative feelings prevalent among managers on the dysfunctional consequences compared to the European experience that budgets were seen positively but were little used.

Towards the early 1970s, the conception that organisations are highly interdependent with their environments, and that boundaries are both permeable and variable, was increasingly beginning to be recognised. Further, instead of working with explicit objectives, the importance of unplanned and spontaneous processes with organically emerging informal structures came to be appreciated. This was in alignment with the dissemination of behavioural approaches in management. Thus arose the Closed-natural research perspective of management control with the emergence of a host of literature on the subject (Argyris, 1952; Hopwood 1972, 1974a, 1974b; Vickers 1965, 1967, Otley and Berry, 1980).

This led to an increasing interest in the behavioural consequences of control systems operation. Among the many notable contributions on behavioural management studies, the first is attributable to *The Impact of Budgets on People* by Argyris (1952), whose main theme was reversed two decades later by *The Impact of People on Budgets* (Schiff and Lewin, 1970). Two noteworthy works belonging to the period are: Lowe and Shaw's (1968) treatise of the tendency of managers to bias budgetary estimates used for control purposes, and Buckley and McKenna's (1972) summary on the connection between budgetary control and managerial behaviour in the early 1970s. In the meanwhile, Mintzberg's work of

1973 and 1975 examined the impediments to the use of management information, which dealt with many of the behavioural issues in the operation of control systems. The theme of managerial performance evaluation also began to surface around this time, with Hopwood (1972, 1974a) identifying different styles that managers could adopt in their use of accounting information and their impact on individual behaviour followed by organisational performance. Further, Rahaman and McCosh (1976) concluded that both individual characteristics and organisational climate were significant contributors to the different uses of accounting control information. Other significant studies were of Prakash and Rappaport (1977) and Dirsmith and Jablonsky (1979) who observed that performance evaluation systems are affected by the information supplied by the subjects themselves (concept of information inductance). It is noted that Birnberg et al, (1983) later extended the said work into a unified contingent framework, based on the ideas of Thompson (1967), Perrow (1970), and Ouchi (1979). These could be regarded as the preliminary attempts for using a contingency framework, though on a closed systems tone. These are some of the noteworthy contributions that emerged under the Closed-natural perspective which slowly gave rise to the emergence of Open-rational perspective where different facets of systems and contingent approaches came to the limelight.

The emergence of an open systems perspective was accompanied by a return to more rational approaches and a relative neglect of the natural approaches of the preceding years. The recognition of the external environment, key to the open systems approach, had never been strong in the early management controls literature. However, in the early 1970s, there was a movement towards an open systems perspective through a theoretical standpoint, an approach illustrated by the collection of writings of Lowe and Machin, (1983). At the same time other authors (e.g., Beer, 1972) were developing their own, somewhat idiosyncratic, approach and moving beyond cybernetics into a more general systems analysis, drawing heavily on neurophysiological ideas. This was followed by a tendency to assess causal relationships among variables associated with the environment, both internal and external to the organisation. Thus, by the end of the 1970s, the third phase of the management control research had come to stay which was in perfect alignment with the advent of neo-liberal policies that advocated an openness to economic practices.

Researchers have generally approached the subject of corporate control by examining the relationship between an organisation's control system, its environment, and its performance. As observed by Neimark and Tinker (1986), the problem of corporate control in this setting becomes one of finding the appropriate fit between the characteristics of the environment (e.g., features of organisation structure, technologies, and strategies) and the corporate control system (desired performance such as an optimum/satisfactory level of profits, efficiency, cost minimisation etc.). Such an overarching model, termed by Neimark and Tinker, includes a wide range of theories such as Williamson's transaction cost theory (e.g., Williamson 1976, 1979, 1980, 1981; Williamson & Ouchi 1981; Spicer & Ballew, 1983); agency theory (e.g., Fama, 1980; Jensen & Meckling, 1976); and the inducement contribution model of the firm (e.g., Simon, 1976; March & Simon, 1958). An introduction to these different theoretical models would be beyond the scope of this paper. In the meantime, another significant strand of theory was emerging, the contingent theory, which should be treated separately.

The emergence of the contingency theory perspective of management accounting control systems was of immense significance. The stream of work that began in the 1970s, and continuing to this day, adopts this approach. In view of this, job satisfaction, leadership style, organisational structure, technology, and many other organisational variables were interpreted within the context of a managerially oriented set of propositions, which assert that the effective operation of an enterprise is dependent upon there being an appropriate fit between its internal organisation and the nature of the demands placed upon it by its tasks, its environment, and the needs of its members (Burrell and Morgan, 1979). Said differently, it is concerned with whether or not a company's value drivers are associated with the organisation's internal and external environments and aligned with its management control systems which leads to enhanced performance as defined by a host of innovative criteria. Although several contingent variables were identified to be of significance, it was the impact of environmental uncertainty which gave rise to its extensive usage.

The flood of literature published in authoritative academic journals include: Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Woodward, 1965; Neghandi &



Reimann, 1972; Leifer & Huber, 1977; Pfeffer & Salancik, 1978; Hirsch, 1975; Rehman, 1973; Chenhall, 2003; Chenhall & Langfield-Smith, 1998; Cadez & Guilding, 2008; Dent, 1990; Dermer, 1990; Gerdin, 2005; Gerdin & Greve, 2004, 2008; Haka, 1987; Hartmann & Moers, 1999; Henri, 2006; Ho, Wu, & Wu, 2014; Merchant, 1984; Otley, 1980; Perera, Harrison, & Poole, 1997; Selto, Renner, & Young, 1995; Simons, 1987, 1990; Langfield-Smith, 1997. Further, in a recent review article, Cooper (2015) observes that early focus of this research, more on senior management controls and their alignment with strategy (Langfield-Smith, 1997; Simons, 1987), which gradually trickled down to management control systems through middle management (Hopper and Armstrong, 1991) to increasingly lower levels of organisational hierarchies (e.g., Abernethy & Lillis, 1995; Abernethy & Brownell, 1997, 1999; Adler & Chen, 2011; Bisbe & Otley, 2004; Davila, 2000; Davila, Foster, & Li, 2009; Ditillo, 2004).

This development is to be regarded as a great contribution to the mainstream management accounting and control research which formed an orthodox model of management control. This model has played an influential role by showing how a variety of contingent factors have shaped management control systems in different contexts. The main thrust of this stream of research is to unpack how external and internal factors, rather than technical processes of management controls, determine the shape of these systems. Accordingly, these researchers argued that management controls are not only technical processes shaped by calculations, methods, and managerial actions, but also by external and internal factors beyond these technical and calculative rationales. This development, however, was subjected to some criticisms which I outline below.

#### **2.3.4 Issues in the orthodox control model**

Since the 1980s, while the orthodox model was also being developed, another stream of research was developed. As Wickramasinghe and Alawattage (2007) observed, this was due to the establishment of three sister journals which promoted critical/interpretive research in accounting. These were Accounting, Organisations and Society Journal, Critical Perspectives on Accounting Journal, and Accounting, Auditing and Accountability Journal. According to these critical-

interpretive ideas of accounting, these journals and their editors established and maintained three international conferences, namely, Inter-disciplinary Perspectives on Accounting Conference (IPA Conference), Critical Perspectives on Accounting Conference (CPA Conference), and Asia-Pacific Inter-disciplinary Research in Accounting Conference (APIRA Conference). On the one hand, they discussed the problems of the orthodox model, and, on the other hand, they offered alternative approaches that can resolve the problems of the orthodox model.

There are a number of concerns related to the use of the orthodox control model which questions the plausibility of the underlying theories. One of the famous critiques can be found in the works by Neimark and Tinker (1986). They remarked on the importance of identifying the underlying shortcomings with a view to seeking remedial measures for future work. Basically, they ascertained that the ways the orthodox model use theories represent sectional interests which can also legitimise and maintain the underlying privilege and dominance. This led them to highlight some major pitfalls of the orthodox model which I outline below.

### ***Absence of a socio-historical perspective***

Researchers working within the framework of the orthodox control model largely confine their analyses to a timeless space and thereby fail to spell out the social origins of control systems or how they evolve over time. In other words, they assumed that the socio-historical contexts are given so that they did not understand any interplay between the context and the practices of management control. Thus, it focuses on the present situation and does not explore the associated roots that will invariably have an impact on the current state of affairs. This absence was clearly seen in most contingency theory-based studies which became the mainstream in management accounting control research since the 1980s (Wickramasinghe and Alawattage, 2007).

### ***Absence of feedback mechanisms***

The associated feedback mechanisms through which dynamic adaptations occur are also missing from orthodox studies which contribute to the aforesaid timeless nature. Although some researchers, (e.g., Burns & Stalker, 1961), recognise that

causal relationships in social systems are not 'one-way affairs', the feedback relationships that link environment, control systems, and performance are often ignored. This is together with the processes whereby the expectations that govern the choice of current strategies are shaped by past perceptions which themselves depend upon the outcome of prior decisions (Bausor, 1983). This led to a failure in recognising complexities of management control practices which are invariably linked to multiple relationships occurring in feedback mechanisms (Neimark and Tinker, 1986).

### ***Separation of environment from the control system***

The orthodox control model considers the organisation and its environment as separate entities. Consequently, management control practices were considered as internal matters to be dealt within an organisation. It fails to acknowledge the extent to which the organisation is very much a part of and constitutes its environment as well as the extent to which the environment permeates the organisation's internal structure and social relations. For instance, Pfeffer & Salancik (1978) view the environment as a reality that is external to the organisation that must be known by its echoing presumptions of the positivistic philosophical tenets. This separation led the researchers to understand management controls as a set of internal variables being interacted with organisational elements such as hierarchy and associated organisational processes. As a result, researchers failed to explore how the environment interacts with the organisation and its management control practices (Neimark and Tinker, 1986).

### ***Environment is incompletely specified***

The orthodox control model also articulates the environment incompletely. For example, as Neimark and Tinker (1986) observed, in many of the studies on contingency theory, the only description of the environment is in binary terms: stability vs. turbulence; homogeneity vs. diversity; scarcity vs. munificence; complexity vs. certainty, or clustered vs. random (see also Hopper and Powell, 1985). Further, Neimark and Tinker argued that, in transaction cost theory, the environment is defined in terms of transactional characteristics that have varying degrees of certainty, frequency of occurrence, or transaction-specific investment

requirements. This obviously is a discreet form of analysing at the environment although it constitutes a flux of changes in relation to many aspects beyond transactions. Mainstream researchers ignored such important aspects leading them to discuss their findings only in relation to the variables they studied rather than to a complete picture of the environment.

### ***Performance is viewed as non-problematic***

Another element that has been incompletely developed in the orthodox control literature is performance. As cited in Neimark and Tinker (1986), for example, the notion of performance was confined to areas such as joint profit maximisation by minimising transaction costs; agency cost minimisation through different control arrangements; and shareholder wealth maximisation by concentrating on profitability. Since the focus of study in such management control research happens to be the organisation, it is not unusual that organisational performance is of prime interest. But performance is considered from a perspective that takes for granted the desirability of the firm's survival with the underlying assumption that only socially beneficial entities are able to remain viable or profitable. This, however, is a naïve assumption as organisations' performance can be beyond the aspects of profits and profitability. For example, their performance can be actions being taken for sustaining them under turbulent conditions in the environment. These aspects could not be clearly measured in financial or any other form of quantitative measures, but they are also part of the performance (see Wickramasinghe and Alawattage, 2007).

### ***Grounded in a 'positivistic' epistemology***

The theories underlying the orthodox model is grounded in a 'positivistic' epistemology. The main thrust of this approach, Neimark and Tinker (1986) commented, is that management control knowledge can be obtained by testing hypotheses rather than understanding how people do things on a daily basis. Contingency theorists in management control, for example, tested the relationships between control systems and contingency factors while ignoring what people do about this when systems are developed against the will of employees of the organisation. The positivistic epistemology tends not to capture these aspects as the researchers working under this tradition consider whether

existing theories can be accepted or rejected based on statistical relationships between dependent and independent variables. They do not want to see the issues beyond these relations although there can be a lot of other things which might be more important for understanding what is going on (Hopper and Powell, 1985; Chua, 1986).

Neimark and Tinker conclude that the critical analysis of the orthodox model omits or incompletely develops several important elements and relationships. Because of this ignorance, it is hard for mainstream researchers to understand the origins of corporate control systems, their changes over time, and their connections with the broader systems of social, political, and cultural relations - social construction of management control. It suggests that the theoretical provide fragmentary and disjointed states of affairs of organisational management controls. In contrast to the conventional approaches, as Neimark and Tinker (1986) summarised, management controls can be studied in relation to historical dialectics, pointing to a dynamic world where business firms and their control systems are actively processed and changed with social and environmental changes.

## **2.4 The Alternative approach**

The historical dialectical approach with its roots in Hegelian and Marxian thinking has been an indispensable tool used extensively for social analysis. As Cooper et al (2005, 957), point out, dialectical analysis involves three principles - totality, change, and contradictions. However, if each of these operates on its own, there would not be a dialectical approach. They become dialectical only if they work together (See Wickramasinghe and Alawattage, 2005). In terms of the idea of totality, one can see that the social world is made up of interrelated elements such as social, political, and economic institutions, including organisations and their control systems. Whilst it is important, here it is not the elements but the relations among them which keep the system in equilibrium. The principle of contradictions informs those deep contradictions and conflicts are inherent in control systems. Further, understanding these contradictions is the gateway to understanding control systems. Finally, the principle of change in dialectical analysis relates to changes to system contradictions which results in a new totality or equilibrium. Thus, changes are the response to a crisis with the intensification

of contradictions resulting in an explosion. Hence, the process in the cycle continues while totality, contradictions, and change are added back to the totality. The dialectical approach to social analysis helps shape our understanding of the concept of control. Neimark and Tinker (1986) argue that in the orthodox literature, control refers to those systems, structures, and strategies that the managers and/or owners of an organisation put into place to secure desired performance outcomes. This notion of control only partially reflects the complexity of relations and social interactions related to above in our discussion of the dialectical perspective. In the following paragraphs we offer a definition of control that consists of two reciprocal and interactive dimensions, at societal and organisational levels: evolution of the social conditions of existence of the society and the problem of reproducing and expanding the business firm, respectively. Understandably, they offer a different mind-set for looking at the control functions at organisational and societal levels.

These developments did not occur overnight. Rather, it took a process of knowledge development. First, it involved a recognition that the orthodox model of control was of limited use with contingent variables not seen as deterministic drivers of control systems design. Further, the environment was not to be seen only as a factor to be adapted to, but also something which can itself be manipulated and managed. Second, the recognition of the socio-political and cultural nature of organisational activity. This is evident based on *Critical Perspectives in Management Control* (Chua et al, 1989). Neimark and Tinker (1986), among others, with their writings on the dialectic approach too would have played an influential role in this movement. In place of positivistic methodologies, this phase is frequented by post-positivistic approaches that consist of case studies adapting methods such as ethnography, grounded theory, and hermeneutics (Hopper and Powell, 1985).

Dating back to early 1990s, this phase continues to-date gaining strength with a wide variety of theories and orientations. Whilst some of the theoretical perspectives coming from previous phases are being observed in research (e.g., agency theory, contingency theory) new experiments are being continuously tried out. The spectrum of current theorising of management controls is drawn from social theorists such as Foucault, Bourdieu, Giddens, Gramsci (see Berry et al,

2009; Hopper et al, 2008; Cooper 2015). The use of these social theorists allowed the researchers to see management controls in a wider socio-political and cultural context and their interactions with organisations. This has played a crucial role in the development of dialectic approaches to management controls.

While this development occurred, Berry et al, (2009) responded to the critiques concerning the gaps encountered in management control research. They looked at the work carried out from 1995-2009 under several themes. For instance, decision-making for strategic control (e.g. Haka, 2007; Carr and Tomkins, 1996; Langfield-Smith 2005; Shank, 1996; Miller and O'Leary, 1997; Lee, 2001; Guilding, 2003; O'Connor et al, 2004); performance management for strategic control (e.g. Otley, 1999; Ferreira and Otley, 2005; Langfield-Smith, 1997, 2007; Chenhall, 2003; Luft and Shields, 2003; Chenhall and Langfield-Smith, 1998; Auzair and Langfield-Smith, 2005); and management control and new forms of organisation (e.g. Van der MeerKooistra and Scapens, 2004; Smith et al, 2005; Ezzamel et al. 2005; Drucker, 1992; Handy,1995).

This development can also be seen in relation to the literature on Strategic Performance Measurement Systems (SPMS) which contains two models of integrated performance measurement systems: *Balanced Scorecard (BSC)* and *Levers and Control* (Kaplan and Norton, 1996, 2001, 2004, 2006, 2008). It links strategy to performance measures and to other systems including operations, human resources, e.g., performance evaluations, information technology, as well as to customer and supplier networks and the value chain (Chenhall, 2005). This has been extensively used, studied and researched on (e.g., Malina and Selto, 2001; Ax and Bjornenak, 2005). Simon's (1995) Levers of Control Model focused on balancing four levers of control: interactive, diagnostic, belief, and boundary systems that broadens the role of management control systems. According to Langfield-Smith (2007, p. 778), levers of control provide a more complex conceptualisation about how management control systems are used to manage behaviour and its effect on organisational changes. Further, surveys have tended to focus on Simon's interactive and diagnostic levers and the use of specific controls including budgets (Abernethy and Brownell, 1999), performance measures (Henri, 2006a); and the interactive use of broader management control

systems) in product development (Bisbe and Otley, 2004 & Ferreira and Otley, 2005).

Building on Simons' levers of control approach, another model was inductively developed by Ferreira and Otley, (2005) from their case study research at middle management level. This is based on a twelve-question-framework to assist researchers who wished to examine an 'integrated' performance and management control framework. The questions, which encompassed the entire PMC process, focused on the interconnections between the various parts of the framework and provided a systematic way to categorise and discuss case findings. This has been prominently featured in recent empirical studies (e.g., Ferreira, 2002; Ferreira and Otley, 2005; Collier, 2005; Stringer, 2006) to structure findings of their case studies. Berry et al, (2005) informs that criticisms of the framework include lack of advice on the interconnections between the questions (Malmi and Grönlund, 2005) and the necessity to understand the antecedents, background, and organisational context of a performance management system design.

Berry et al, (2009) observe that whilst there has been a plethora of research conducted under selected themes, relatively little attention has been paid to information and communication technologies and its impact upon control system design and capability, control and gender, control and sustainability, control and risk, *and* control and culture. They also note the limitations of overarching frameworks and emphasise on research which attends to the relationship of control practices and theory which will require more embedded and collaborative research processes.

Despite these recent developments being attractive for making changes in management control systems in organisations, how controls work in action can be a never-ending research effort, as several researchers commented (e.g., Cooper, 2015; Alawattage and Wickramasinghe, 2019; Wickramasinghe et al, 2021). The models of management controls can be working only in relation to the conditions in situations. In response to this observation, I will examine how management controls work the issues of managing tensions in action and in the contexts of informalities being produced in FOBs.



## **2.5 Towards managing tensions and informalities**

The above review shows us that management controls in organisations concern how individual subjects are made submissive towards achieving organisational goals. For this, control systems are fortified with hierarchical systems such as budgetary controls as well as post-hierarchical systems such as balanced scorecards and cost management practices (Wickramasinghe and Alawattage, 2007). When using these systems, there can be tensions between internal arrangements of management controls and external pressures. Naturally, in an organisation, such tensions can be the result of using multiple controls on the part of both external and internal requirements. In the management control literature, this development has been addressed around the question of whether a set of management controls can be regarded as a system or a package (Malmi and Brown, 2008; Ferreira and Otley, 2009; Grabner and Moers, 2013). Hence, one argues that the use of multiple controls can lead to tensions in management controls.

### **2.5.1 Genesis of tensions in management controls**

As we have understood, management controls can be used under circumstances where one system of management control is insufficient. Malmi and Brown (2008) argue that such uses of management controls can produce a holistic view of management controls, though one system such as budgetary controls could be well functioning in an environment where the organisations enjoy monopolistic power or low levels of global competition (Wickramasinghe and Alawattage, 2007). However, since the 1990s, with the expansion of neoliberal markets and the processes of globalisation, one system approach to management control cannot be sufficient for managing the emerging environmental complexities (Alawattage and Wickramasinghe, 2019). Such an approach has become impractical as external dynamics hugely impacted on internal control configurations.

Hence, since the 1990s, organisations tend to use multiple controls ranging from hierarchical systems such as budgetary controls and related systems of accountability and heterarchical systems such as lean management, balanced scorecards, and practices of beyond budgeting (Cooper, 2015; Alawattage and Wickramasinghe, 2019). This change has led management control researchers to

consider management control beyond its systems perspective in order to take a holistic perspective (Malmi and Brown, 2008). However, as Malmi and Brown (2008) state, there is an issue of independencies between different practice as a collective package. Hence, as we mentioned earlier, we can address this issue only by studying management controls in action.

### **2.5.2 Tensions in management controls: the practice perspectives**

Several studies confirm that there are tensions in practice when management controls are used as a package. For illustrative purposes, we may consider some of these studies (e.g., Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004; Cruz et al, 2019; Damayanthi et al, 2020). While these studies show that management control practices emerge either through management control change programmes or through organisations' attempts at responding to external pressures emanating from the processes of globalisation and competitive changes. However, since dynamics are implicated in the practices of management controls, there have been invariable tensions which were to be managed or resisted.

For example, the studies conducted by Wickramasinghe and Hopper (2005) and Wickramasinghe et al (2004) examined how management control systems of two Sri Lankan organisations were re-packaged as a management control change programme following the country's privatisation policies in the 1990s. Rather than seeing management accounting as a system, these practices showed that there were multiple techniques and ideas which were re-developed as a package according to the demands of new managers under new ownership. As illustrated by Wickramasinghe and Hopper (2005), the new managers began to revitalise the use of production budgets in management controls resulting in more work and more productivity on the part of workers at the shopfloor in the textile mill studied. In return, the workers, who were agitated by trade unions, prioritised their cultural and ritualistic engagements in the traditional village where they lived at the expense of being committed to achieving the budget targets. As a result, a tension was developed - a tension between the desires of the managers and the cultural embeddedness of the workers.

A similar investigation was made by Wickramasinghe et al (2004) although the root of tension was different. They showed that the privatised telecommunications company in Sri Lanka faced a problem of tedious and inflexible bureaucracy which prevented flexible decision-making in response to changing demands in the market. Having understood the severity of the problem, the new management introduced a series of new management controls into the existing package. As the new management was affiliated to a Japanese company, the new practices were based on the experiences of Japanese management practices such as Total Quality Management. As the young managers in the company massively supported these changes, the problem of tedious and inflexible bureaucracy disappeared. However, as time passed, the top managers who represented the government share of the company opposed some of the practices - they argued that there is a lack of accountability as the practices go beyond the bureaucratic procedures. This resulted in a tension between the emergence of new management controls and the opposition developed against those practices. At the time of the study, this tension was unmanageable leading the bureaucracy to be reappearing.

Despite their investigation as to how management controls were changed through privatisation programmes, they paid little attention to how such tensions are developed, managed, or resisted. Although tension was one of the key outcomes of these change programmes in management controls, those studies aimed to understand what privatisation did for management control and how such things occurred under the country's cultural and political ramifications. Although tension was to be analysed deeply in order to understand how micro-level interfaces between established practices of management controls and emerging practices of management controls, these researchers left such questions to be explored in future studies.

Turning attention to such interfaces, other researchers, who were inspired by institutional theory, saw tensions in management controls differently (Greenwood et al, 2011; Battalina and Dorado, 2010; Besharov and Smith, 2014; Amans et al, 2015; Damayanthi et al, 2020). Taking the institutional logics perspective, these researchers saw that there were interfaces between multiple institutional logics and organisational attributes. For example, Greenwood et al (2011) argued that, even with the same institutional logics within a similar organisational field, there

can be tensions in the practices of management controls because those field-level institutional logics may contradict with organisational attributes characterised by the nature of its development, people's attitudes, and existing institutions. As a result, different organisations may use management controls differently as they are shaped by multiple institutional logics (see Amans et al, 2015). Sometimes, to manage tensions being emerged, some organisations may respect multiple institutional logics (see Carlsson-Wall et al, 2016) resulting in hybridisation of the management controls (see Nyland and Pettersen, 2015). Hence, tension is clearly linked to the way management controls are practised respecting different institutional logics (Damayanthi et al, 2020).

However, these studies pay little attention to exploring the theoretical meaning of such tensions as institutional logics avoid the role of actors and the power of their networks. Instead, institutional logics focus on the efficacy of the impact of logics per se. As a result, these researchers - who explored tensions in management controls - ignored the agency of actors even though their agency is shaped by multiple institutions and institutional logics. Although it is not the scope of this review, it is noteworthy that the agency question has been addressed by subsequent institutional researchers who turned their attention to institutional work perspective and embedded agency perspective (See Nyland et al, 2017; Meidell and Kaarbøe, 2017).

### **2.5.3 Tensions in management controls in global/local relations**

The question of tension can be much visible in wider organisational contexts with global-local relationships. Research into this direction is yet to be advanced but there are some elements to be reviewed for a foundational understanding of my study. Management controls in the controls within inter-organisational relations can be seen in one of these directions. To this end, the focus on an understanding of management and control practices within global production networks (GPNs), which is defined as “globally coordinated inter-organisational relationships that underpin the production of goods and services, and the power and value dynamics therein” (Coe and Hess, 2011:390) , is noteworthy. While this is a type of inter-

organisational relationship, this perspective provides a broader view of global/local relations.

GNPs are prominent around the world in the era of neoliberalism where production happens through a global supply chain. For example, as Coe and Hess (2011) argued, such networks are more inclusive in accommodating more organisations including supranational organisations, trade unions, NGOs, and consumer groups. Hence, GNP offers a multi-dimensional view of global/local relationships. In other words, GNP allows us to understand global/local relationships beyond vertical and linear point of view (Henderson et al, 2002). To this end, suppliers must adhere to social and environmental dimensions in production and distribution, and customers must follow such dimensions in the determination of product specifications and quality assurance as supranational organisations, trade unions, NGOs, and consumer groups play a vital role in doing a 'social audit' about the relationships between the supplier and the customer (Henderson et al, 2002; Coe and Hess, 2011). As Coe and Hess (2011) argues, this may develop a tension between the two parties in terms of their economic expectations, but this tension is shaped by the wider social and environmental context in which such relations take place.

Management control researchers made some advances in this direction to report on the global/local relationships between the supplier and the customer. For example, Cruz et al (2009) took a variant of institutional theory to address the issue of institutionalisation and practice variation. They examined how managers in a joint venture of global corporation adopted management controls in the context of a global hotel chain. They found that the domestic partner was imposing management controls, but it found ways in which those controls were reproduced based on local circumstances. Drawing on Orton and Weick's (1990) ideas on loose coupling, Cruz et al (2009) analysed how such a local agent was able to both institutionalise its own practices while adapting management controls imposed by the global partner. Moreover, as Lukka (2007) reported, a globally operating firm in Finland developed standardised management controls and imposed them on its geographically dispersed operations. Interestingly, it was found that such standardised systems were not reproduced locally according to

those imposed standards. Instead, they were reproduced with some variations. This was because, on the one hand, there was a goal ambiguity stemming from opposing managerial approaches inserted by the HQ and, on the other hand, there was a flexibility for local operations in which they enjoyed a form of informality which Orton and Weick (1990) called loosely coupled management control systems. Such systems can be an outcome of the tension being developed between the imposition of global standards and the possibility of developing informalities.

In this way, tensions in management controls within global/local relationships had been conceptualised as being dialectics between the global and the local. Some other accounting researchers have explored this phenomenon to examine how such tensions can be managed (see, for example, Arnold and Sikka, 2001; Quattrone and Hopper, 2001; Quattrone and Hopper, 2005; Barrett et al, 2005; Busco et al, 2006, 2007). These researchers have found that management controls are used in different ways in managing such tensions. Accordingly, most global operators tend to use management controls for centralisation purposes rather than decentralisation purposes; standardisation purposes rather than differentiation purposes; and, strategy integration purposes rather than local adaptation purposes (see Busco et al, 2007). By doing this, management controls play a role in the management of tension through minimising the friction of space and by maximising the integration and communications. To this end, as stated by Quattrone and Hopper (2001), management controls are seen as systems of surveillance, but such systems are developed through such enhanced strategies of integrations and communications. Hence, more research is needed on how such systems of surveillance are implicated in the management of tension in different geographical spaces which would have different local circumstances.

#### **2.5.4 Informalities in controls within FOBs in developing countries**

As we have understood, management control systems are inherently formal systems which are in formal arrangements of organisational hierarchies. When there are global/local relations, such controls systems become adaptive and loosely coupled. When such possibilities are developed, there can be more informalities in the practice of management controls as opposed to having formal

and hierarchical systems of management controls. While there cannot be 'informal' systems of management controls in terms of textbook terms, all practices of management controls can be constructed with some elements of informalities (Busco et al, 2006, 2007).

Informalities can be developed due to cultural, social, and political variations in different geographical spaces, especially in developing countries. However, as I mentioned in Chapter 1, most such studies were in public sector enterprises and within their formal systems (see, for instance, Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004; Hoque and Hopper, 1994; Uddin and Hopper 2001). Hence, there is no logic in understanding informalities being prevailed in management control practices in FOBs from the standpoint of our understanding of those practices in public sector enterprises. This implies that there are little studies which can be advanced for a better understanding of the practices of informalities in FOBs in developing countries.

There are a few exceptions though. Studies, for example, based on a case study conducted in the context of Pakistan, Ansari and Bell (1991) analysed how management controls were practised through the exercise of power relations of family members. In this case, the senior members in the family exercised power over junior members of the same family resulting in an informal system of management controls based on the individual preferences of the person who holds power. These family relations, rather than hierarchical arrangements, tended to construct an informal rationality in the system of management control as opposed to a formal rationality. As a result, management controls are a manifestation of cultural and social rituals being adapted by the family. As there were less global impositions, persistence of these rituals cannot develop a tension in the everyday practice of those controls. Based on another study conducted in Malaysia, Tsamenyi et al (2008) also provided similar evidence. They argued that the FOB they studied was more informal than formal. Interestingly, they emphasised that while this informality was the key feature of the system of management controls, there were less possibilities of being political. This is because these systems were operationalised based on family-members' preferences, interests, and historically dependent rituals and practices, as in the case of Ansari and Bell's (1991) study.

The dominance of family in the construction of management controls is also evidenced in the works of Uddin (2009). Based on a study in a Bangladeshi public limited company, he found that accounting calculations were used to as a 'private management practice' to satisfy the dominant family owners as opposed to general shareholders. He argued that family dominance is supported by a form of informality developed within the formal system of controls in the company. Using Weber's ideas, he analysed that traditional societies, such as those in Bangladesh, can produce similar practices. This manifests that rationality would become a substantive form as opposed to its ideal type characterised by a formal rationality. He confirmed that these findings are not dissimilar to previous studies conducted in family-owned companies in Bangladesh and elsewhere.

In the context of China, there are no studies on FOBs' management controls using qualitative studies. Even though there a few studies, they have not been published in well-ranked international journals. Nevertheless, there are some noteworthy studies published in other journals which provide us with a general message about FOBs' general management practices as opposed to the issue of tensions in management controls (e.g., Pistrui et al, 2001; Liu, 2008; Tang et al, 2007). One of these is the work by Pistrui et al, (2001) who studied the profiles of Mainland Chinese entrepreneurs and their enterprises. They found that general management practices of these FOBs were shaped by the cultural and family relations as well as entrepreneurial motives, demographic attributes, and the types of businesses. Moreover, they found that, while the majority of these businesses operates in the retail and technology sectors with the owners' saved capital, the entrepreneurs wished to be independent and to benefit from continuous learning. In another study, Tsang (2002) found that management controls in FOBs are mostly informal and ad hoc and subject to various external conditions and obstacles which create some tensions between the desires of these enterprises and the requirements of external environment. Although these studies in China have not been published in top ranked journals and are not qualitative studies, their key findings show that prominence of family imperatives shape the nature of general management and business performance of these enterprises.



## 2.6 Summary and conclusions

This chapter has made an attempt at undertaking a survey of the literature on management control. It has looked at the concept of management control and its relationship with the organisation. This proceeded to an examination of management control research dominated by an orthodox model. Based on Neimark and Tinker's (1986) critiques, I looked at the fundamental issues in this area of research. As was understood, the critiques led subsequent researchers to take a dialectic approach from which management controls can be seen as a social construction and through which, tensions and informalities are developed and sustained in relation to their management control practices. It is this approach which one can understand as management controls in action. As the purpose of my research is to examine this in the context of a family-owned enterprise in China, I am inclined to take this dialectic approach to see how management controls operate through such actions. For this purpose, I will present my theoretical framework drawn from Actor Network Theory (ANT) in the next chapter.

# Chapter 3

## Theoretical Perspectives

### 3.1 Introduction

The previous chapter dealt with literature pertaining to the concept of management controls, its development, and the concerns the researchers have so far addressed. As it was elaborated, I explored how controls are placed in an organisational context and how the mechanisms of controls are also linked to a wider environmental context. In this way, it provided a contextual understanding of the conditions under which management controls are developed, maintained, and made use of. It also discussed associated tensions that arise owing to the emerging socio-political, technological, and cultural forces that arise within and without organisations. Inadvertently, these tensions, sandwiched between forces, create complexities that pose new challenges in managing them for enhanced organisational performance.

The purpose of this chapter is to present a theoretical framework for the study of tensions in management controls in a family-owned business located in China. It argues for the use of the Actor-network theory (ANT), with Obligatory passage points (OPPs) as the accompaniment, in exploring the tensions viz., *Governmental regulations imposed upon the business and product specifications stipulated by customers* in the selected organisation. In this exercise, the chapter makes use of the ideas, concepts and tools associated with the ANT to understand, analyse, and interpret the story of tensions in management controls that unfold in a Chinese family-owned business. With this aim in mind, this chapter presents extant literature on the use of ANT, discusses its dynamics, and justifies its suitability as a theoretical framework.

This chapter is organised as follows. Section 3.2 gives a glance at the idea of ANT as a social theory which can be used in the present study. This leads to Section 3.3 which briefly explores the ANT-based accounting studies, especially management accounting and control ones and an observation of the use of ANT in LDC studies in accounting. Section 3.4 outlines necessary concepts developed in ANT which can also be useful for analytical purposes in the present study. This

leads to Section 3.5 outlining theoretical and methodological justifications for its deployment in my study. Finally, in Section 3.6, I offer a summary and a conclusion for the chapter.

### **3.2 A Glance at Actor-Network Theory (ANT)**

Actor-network theory (ANT) emerged and grew out of a series of French-British studies in sociology of science and technology. Pioneered by Bruno Latour in the mid-1980s, ANT encompasses a collection of writings by Michael Callon, John Law, and others. A conceptual framework for exploring collective socio-technical processes, it suggests that the work of science is not fundamentally different from other social activities and that it is a process of hetero-engineering in which the social, technical, conceptual, and textual are puzzled together (juxtaposed) and transferred (translated) (Latour, 1987; Callon, 1986). Law (2009) defines ANT succinctly as:

*A disparate family of material-semiotic<sup>2</sup> tools, sensibilities and methods of analysis that treat everything in the social and natural worlds as a continuously generated effect of the webs of relations within which they are located. It assumes that nothing has reality or form outside the enactment of those relations. Its studies explore and characterises the webs and the practices that carry them (Law, 1997, p. 3).*

Said differently, it is a theoretical and methodological approach to the theorisation of social and technological practices where everything in the social and natural worlds exist in constantly shifting networks of relationships. It posits nothing exists outside those relationships and, also that all the factors involved in a social relationship are on the same level (Latour, 2005).

Having been initially applied in the engineering-based situations such as ship navigation and electrical networks, ANT got extended to a variety of disciplines viz., organisational analysis, anthropology, feminist studies, as well as accounting. In these, it fulfilled a useful purpose as an analytical research tool. Over time, a wide range of concepts, tools and terminology related to ANT had entered accounting literature together with novel models for analysis followed by rich accounts of empirical illustrations. At present, ANT occupies a central place in

accounting research as a preferred theoretical framework in interpretivist case studies as well as reflective discussions.

### 3.3 ANT in accounting research

The concepts and tools of ANT have inspired many accounting researchers, largely from the developed world, with a view to exploring accounting phenomena. Basically, the fundamental justification for the use of ANT in the context of accounting has been the fact that accounting is regarded as a technology that influences acting networks. As a technology, accounting acts in a network for making sense of what needs to be done. For example, in the context of management controls, budgeting and performance evaluation methods can be regarded as organisational technologies which influence the network of people in the organisation. Management controls and performance evaluation work together as a network and, in the network, both accounting technologies and people act as actors.

While researchers considered accounting as a technology, ANT was used in accounting research since the early 1990s. Earlier, the researchers used Latour's provocative works such as *Science in Action* (1987) to understand how accounting is constructed, fabricated, or translated into facts or black boxes (see below) within situations rather considering them as universal and common in all contexts and situations (Chua & Preston, 1994; Robson, 1991). In this way, the researchers emphasised the nature of 'being' in accounting which is an ongoing construction, fabrication, and translation. Hence, these researchers assume a 'flat and empty world'. The task of researchers is to find this world (of accounting) by tracing how it is being made. Hence, they "follow the actors" through a variety of research methods to know what they do in the network and how accounting is being made through the efforts in that network. An organisation, for example, is considered as such a network where accounting is being constricted, fabricated, or translated from another setting. Based on this approach and the idea, a flood of ANT-inspired accounting studies has been conducted since the 1990s. (for a review, see Justesen & Mouritsen, 2011).

The diverse set of topics that had drawn their attention include implementation of activity based costing (e.g., Briers and Chua, 2001); the formulation of intellectual capital statements (e.g., Mouritsen and Larsen 2005); the construction of benchmarks (e.g., Llewellyn and Northcott 2005); the development of audit expertise (e.g., Power 1996 a, Gendron et al, 2007); management accounting control and integration (e.g., Quattrone and Hopper, 2005, Dechow and Mouritsen, 2005); and the role of accounting in the creation of new markets (McKenzie, 2009; Justesen and Mouritsen, 2011, p. 161).

The influence of the ANT has led to diverse studies, but an overarching area of interest has been the analysis of accounting change seen as translation processes. This view gives a very different account of change than the contingent or institutionalist approaches, because change is not explained with respect to a stable set of variables, but seen as contingent, historical processes that often develop unexpectedly within *networks* when heterogenous human and non-human *actors* (allies or actants) are brought together in particularly fragile ‘accounting constellations’ (Miller, 1991). Another important aspect associated with ANT-inspired accounting studies is the importance given to ‘non-human actors’ who together with human actors result in, for example, inscriptions which enable action and distance (e.g., Robson 1992) giving ‘visibility’ to ‘invisible’ objects (e.g., McKenzie 2009).

ANT-inspired management control is of various types. They can be broadly classified into four types: ethnographic case studies (e.g., Chua 1995, Dechow and Mouritsen 2005, Quattrone and Hopper 2005); historical studies of emergence of accounting phenomena (e.g., Cooper et al, 2017); promoters of new research agendas, methodologies, and vocabularies that inspire the community of accounting researchers (e.g., Robson 1991, 1992; Lowe 2004); and self-reflexive discussions about relations between ANT and accounting studies (Chua 2004, Justesen and Mouritsen 2011, the two latter types identified as Miscellaneous herein). Further, while ANT-based management control research largely concerns developed countries, its application in LDCs is limited. However, there seems signs of an emerging interest in the area (e.g., How and Alawattage 2012). Despite this tendency, our understanding of applicability of the ANT as a theoretical framework in management control research in LDCs is far from adequate. Further,

such research, if carried out more extensively, is likely to shed light on the application of ANT while illuminating on the practice of management controls in indigenous locations in LDCs. It is of relevance, at this stage, to illustrate how the ANT has been used to theorise tensions in management control within the broader theme of accounting change. A representative sample of studies from developed countries as well as a singular sample from a developing country will be used for this purpose.

### ***Early Studies***

In an early seminal work by Preston et al (1992), we can see that they drew from the ideas of Latour (1987) to understand how science and technology is created in order to investigate development and execution of budgeting as a management control technique in a hospital system. The study shows that budgeting is not a given technology. Rather it is fabricated by putting together a variety of things. In doing this, the fabrication happens in a changing and fragile manner. Hence, the emerging (changing) accounting systems are not fixed technologies. Rather, they become defined for purposes subject to changing constructions over time. In the process of their design and implementation, new possibilities for decision making and accounting for responsibility emerge that lead to economic logic to hospital management.

Chua (1995), through an ethnographic study of three Australian hospitals, seeks to understand how and why new accounting systems are experimented within organisations. The study explores the social linkages and practices that enabled a small group of people to do accounting so that they are account fabricators. They begin to construct 'new numbers' based on new practices and sustain their activity over time. This may ensure gaining 'consent' to the numbers which developed in the process of fabrication. Chua adopts the concept of Latour's sociology of translation to argue that accounting change involves managing tensions. These tensions are possible not because there can be a possibility of bringing financial outcomes but because there can be uncertainties. Accounting tries to create numbers and put the future possibilities into a rhetorical interpretation in order to shift interests in the network.

Dechow and Mouritsen (2005) draw on ANT to understand how two large Danish industrial facilities pursue integration of management and control through Enterprise Resource Planning (ERP) systems. They studied the heterogeneity of networks of power and sought to analyse the tensions that arise between human actors and the enabling and constraining forces of the ERP technology. More specifically, they analysed an organisational integration with the help of ERP systems and explored how they influenced the integration. The researchers' task was to understand what has been happening there and how actors are connected through the technology of ERP. They found that ERP systems are never fixed objects, but they are more than the functionality of their technology in that strategies for programming are informed by visionary objects that transfer a database to a strategic claim to the future of the firm.

Quattrone and Hopper (2005) analysed the effect of implementing an ERP System on management control in two multinational organisations, one from Europe and the other from US. It describes how ERP, configured differently in the two organisations, created different distances and relations between the head office and the subsidiaries. The mediating role of the ERP in organisational and managerial relations of distance, integration, and control is described, which involves mitigating of tensions between human and non-human (technology) allies. They elaborate on the construction of distance separations and the way of understanding and managing which had a profound impact upon management control. Further, they observe that it is more pertinent to trace continual changes in the loci of control rather than trying to identify a specific centre that exerts action at a distance based on the 'dichotomy between the controller and linear, and uniform time and space'.

### ***Subsequent developments***

Some researchers have generated accounting knowledge with some historical studies. Cooper et al (2017) explore how the Balanced Scorecard (BSC) was developed and marketed as a global management practice (tool) of control. The requisite information for tracing the evolution was gathered via analysis of interviews with key actors associated with the BSC, insights from attending BSC training workshops as well as perusing relevant literature. The historical analysis carried out with the aid of the ANT offered theoretical tools to understand how

the various features of the accounting technique was translated and transformed via a process modification, labelling, framing, and specification of abstract categories as well as cause and effect relations. They also examined the networks and associations that shape the form of the BSC and mobilised the interests of various related constituencies. Finally, the paper highlighted the strategies and actions required to maintain control of the BSC through its continuous reinvention.

How and Alawattage (2012) report of an accounting regime changes in a medium sized Malaysian company engaged in supplying building materials through the country. It analyses how an accounting regime was changed to overcome an instance of decoupling which posed problems. Though certain technological and management improvements were effected, the accounting regime yet remained problematic owing to its decoupling from the control of core operations. Ideas from the ANT, neo-institutionalism, and political economy indicate that accounting remains decoupled from operational processes because of the specific manner in which accounting is constructed and enabled. According to the pseudo characteristics of accounting objects around which performativity is defined, the organisational context involving 'political imperfections' and the operational doctrines governing the real business processes contribute to the observed state of decoupling. However, though it remains decoupled from core-operational activities, the accounting regime change has performed an important role of insulating 'political imperfections' with which the business operates.

There are several papers which advocate ANT based research agendas, methodologies and vocabularies of which two are worth mentioning: Robson (1991) brings in the process of translation (Latour's ideas of sociology of translation, 1987) as an alternative method of explaining the relationship between accounting and social change. Likewise, Robson (1992) explains the preference for quantification in accounting in terms of the development of inscriptions that enable action at a distance, again based on Latour's writings. Robson explains the development of accounting in terms of continuing refinement of the 'mobile, stable and combinable' that expedite long distance control. Understandably, such contributions expand the scope of application of the ANT as a rich theoretical framework.



Extant literature reflects that ANT-based studies on management controls are largely ethnographical of either contemporary or historical nature. They explicate the evolution, fabrication, and working of management controls as either micro level (organisational) practices or macro level global projects. In the meantime, studies such as Robson (1992, 1992) provide groundwork for expansion of scope and application of the ANT. It is evident that organisational management controls are introduced as a means of regulating performance in different spheres of activity. Naturally, they give rise to tensions owing to underlying, often conflicting, demands related to causal influences (forces) that underlie the activities. The resulting tensions, in turn, give rise to development of fresh management controls and the process continues. Since this involves a continuous process of totality (equilibrium), contradictions, and change, it can be explained through a dialectic framework (see Wickramasinghe and Alawattage, 2005). Thus, management control studies mostly turn out to be stories of coping with tensions in management controls.

ANT consists of a vast constellation of ideas, concepts, and tools. It is relevant, at this stage, to introduce the significant concepts (borrowed from) ANT. This will facilitate us to move into the next phase of the enquiry; justifying the suitability of ANT as the theoretical framework followed by designing the study. Thus, the next section is devoted to present key concepts associated with ANT, viz., science and technology, actor/actants, actor-network, co-optation, intermediaries, mediators, boundary objects, translation, black-box and obligatory passage point (OPP), and simultaneous becoming. Wherever appropriate, they are accompanied by dynamics in terms of illustrations from accounting research.

### ***ANT studies on LDCs management controls***

The past three decades witnessed a noticeable growth in the management control studies in the Least Developed Countries (LDCs) the world over. This was followed by intensifying neo-liberal political economic changes accompanied by globalisation, competition, and directives from development financial institutions, privatisation, and cost control projects that took centre stage in LDCs (Hopper et al, 2009). Over time, these projects turned out to be fertile sites for research as is evident by the surge of accounting research publications in the areas

of cost control and privatisation. Hopper et al (2009) reports of 29 such publications<sup>1</sup> during the period 1990-2009 which had used a variety of theoretical frameworks. These frameworks included institutional theory, contingency theory, labour process theory, political economy, Gramscian ideas, Foucauldian governmentality approach, Bourdieu's practice theory, and structuration theory. This trend of using social theories continues allowing the researchers to explore how management controls in LDCs are shaped by a variety of internal and external factors (see Hopper et al, 2009; Hopper et al, 2017).

These studies have largely followed the respective countries' context characterised by their historical, cultural, and political dimension. Hence, researchers followed very structural approaches to understanding that those historical, cultural, and political structures have challenged management control changes which were required upon privatisation of public enterprises or expansion of private enterprises. As Hopper et al (2009) observed, this approach was necessary as the contexts in which management controls operate in these countries are different to those in the West. Without locating the analysis in their specific context, one cannot understand why some practices are difficult and how other practices could be possible. Hence, in response to this broader issue, many studies have been conducted and valuable contributions made, and we now need to see how working networks of actors shape the context.

This turning point led me to think of taking a perspective on Actor Network Theory (ANT) in my study. While the importance of the structural approach so far developed is undeniable, a focus on individuals and their organisational capacities can be complementary. Despite the work by How and Alawattage (2012), which emphasised how ANT can be used to illustrate the inevitability of decoupling accounting from operational purposes, we know little about how organisational management controls are shaped by networks of actors. Although ANT has been widely used in critical and interpretive accounting studies since the 1990s, there

---

<sup>1</sup> These include: Alam, 1997; Alam and Lawrence, 1994; Alam et al, 2004; Bromwich and Wang, 1991; Hoque, 1995; Hoque and Hopper, 1994, 1997; Jones and Sefiane, 1992; Kholeif et al, 2007; Lin and Yu, 2002; Maschmeyer and Ji-Liang, 1990; O'Connor et al, 2004, 2006; Olowo-Okere, 1999; Ouibrahim and Scapens, 1989; Rahaman and Lawrence, 2001; Scapens and Ben-Ling, 1995; Scapens and Yan, 1993; Sharma and Lawrence, 2005; Skousen and Yang, 1988; Tsamenyi et al, 2002, 2004, n.d.; Uddin and Hopper, 2001; Uddin and Tsamenyi, 2005; Van-Triest and Elshahat, 2007; Waweru et al, 2004; Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004.

is little knowledge about how ANT explains the practices of management controls in LDCs such as China. Although China has been developed considerably in the past few decades, and FOBs have played a vital role in this development, we know little about how those networks shape their management controls and how such management controls make contributions to this massive development in China, hence, the choice of ANT as a theoretical framework.

### **3.4 Management controls in tensions: the ANT perspective**

To explore the question of tensions being developed and maintained in management controls within FOBs, as was mentioned earlier, I use the ideas of ANT. As will be shown below, ANT articulates how actors develop acting networks while addressing the issues of tensions, controversies, and contradictions. Hence, the use of the ideas of ANT give justice to the analysis I make in this study. This section presents these ideas followed by a theoretical and methodological justification for this choice.

#### **3.4.1 Key concepts in ANT**

One of the starting points to develop ANT was the articulation of the notion of 'Science and technology'. According to Latour (1987), this is not a neutral term defined as mere discoveries and innovations or pre-existing orders (see Wickramasinghe and Alawattage, 2005). Rather, it represents established knowledge stemming from a particular 'system-building process' which embodies 'enrolling and controlling' human and non-human allies (see Jones and Dugdale, 2002). Thus, for followers of ANT, it does not mean only 'pure' engineering and technical aspects, but also systems developed for 'getting things done'. For instance, Management Accounting is regarded as such a system (see Jones and Dugdale, 2002). It, in effect, can be regarded as a technology of decision-making and control which is subject to the above 'enrolling and controlling' processes through the involvement of 'human and non-human allies'.

Based on this context, ANT defines the fact that all networks consist of actors. An actor is the minutest entity of a network; a thing/being that could modify or make a difference with respect to a situation/relation comprising human agencies (allies)

and non-human agencies (machines and material) (Justesen, 2018). Latour (2005) reiterates that ‘an invisible agency (actor) that makes no difference, produces no transformation, leaves no traces, and enters no accounts is not an agency (actor)’. Further, actors are driven by action with what they do being more interesting than what they are; thus, identifying actors based on action (Callon 1986). Latour (2005c) offers a simple example: ‘...when he (actor) is producing *knowledge*, his computer, colleagues, office, books, desks, telephones all act together in network’. This shows that the actor works as an object in a group collectively and in co-operation with other human and non-human allies. Further, following a principle of symmetry, ANT assumes that actors, whether human or non-human, are to be treated at the same level of agency (Latour 2005).

Actants, in place of actors, is a term used to stress that material causes (non-human) as well as human actors may be determinants of social interactions and outcomes. The concept of actants in a network stresses the interaction between material and human factors in processes. Thus, actants may be sea scallops in a network of marine biologists, a technology in the organisation, or a data supporting a scientist’s arguments (Callon, 1986). However, there are many instances where the terms actors and actants are terms used interchangeably. ‘An actor-network is composed of many entities (actors) or *actants* that enter into an alliance to satisfy their diverse aims. Each actant *enrols* the others, that is, finds ways to convince the others to support its own aims. The longer these networks are, the more entities that are enrolled in them, the stronger and more durable they become. An actor-network is *spliced*; the actants *intersect*’ (Spinuzzi, 2008). The term actor-network in ANT conveys the idea that the actor does not act ‘on his own’ but only under the influence of a complex network of material and semiotic influences.

The basis for the actor-network is the network which Latour (2005) identifies as a concept, not a thing out there. It is explained as a bridge or a linkage between organisational (technical) and human (social) entities with a certain level of energy and movement in travel. Being integration of the material and semiotic environments, it is considered to be a type of ‘material semiotics.’ The terms *actor* and *network* are linked in an effort to bypass the distinction between agency and structure, a core preoccupation within sociology. This distinction is neither

useful nor necessary for ANT theorists, as macro-level phenomena are conceived as networks that become more extensive and stabilised. 'Networks are processual, built activities, performed by the actants out of which they are composed. Each node and link are semiotically derived, making networks local, variable, and contingent' (Callon 1986).

It follows that actor-networks are in a continuous state of flux which include termination (dissolution). Further, from the viewpoint of the primary (leading) actor, networks demand continuous maintenance or order. Among the on-going processes of actor-networks are challenges to the role of the primary actor, desertion, betrayal, and recruitment by competing networks and all manner of changes in the constituent elements of the network (Callon 1986). Moreover, these networks, with the participation of actors, achieve their ultimate objectives through *boundary objects* which create possibilities for translating a commonly known technology into local circumstances. Thus, translation of technologies such as management accounting can be activated from 'a distance'. That is why, for instance, US models of management accounting could be popular in the Far East, and vice versa. The argument here is there are certain 'actors' who are active and innovative in developing and propagating a particular science and technology. These actors work in networks to make their efforts acceptable and popular.

Literature distinguishes between global and local networks. Global networks are extended to the actions of global players, that is, 'cosmopolitans' (see Briers and Chua 2001; 241 cited in Wickramasinghe and Alawattage 2005) who are rich in 'concepts, competence, and connections'. In the construction of management accounting systems in LDCs, local agencies follow the global players through channels of intermediaries and mediators. Latour's term 'action at a distance' can be used to denote these actions of global players influencing locals. However, if the local networks are more powerful, perhaps global influences can be contained or even dominated. This relates to another concept called intermediaries which are entities which make no difference (to some interesting state of affairs which we are studying) and so can be ignored. They transport the force of some other entity more or less without transformation. Defining the inputs of an intermediary is sufficient to define its output. Further, an intermediary can be taken as a black box which counts for one although it has been made up of many components.

Thus, networks are the products of intermediaries and facts, and machines are the products of networks (Latour 2005).

In the creation of science and technologies, or alternatively 'facts and machines' such as management accounting systems, actors build 'networks' through relationships which Callon (1991) calls intermediaries. According to Callon, actors influence each other through intermediaries, namely written texts, technical artefacts, human beings, and money (see Jones and Dugdale 2002). The intermediaries may also operate through complex relations, creating varieties of combinations of intermediaries ('hybrids' or 'monsters': see Law 1991). These relate to mediators and co-optations. Mediators are entities which multiply difference and so should be the object of study. They transform, translate, distort, and modify the meaning or the elements they are supposed to carry. Their outputs cannot be predicted by their inputs. They cannot be counted as just one, they might count for one, for nothing, for several, or for infinity (Latour, 2005).

This is a sub-process by which actants seek to have their individual objectives agreed to by other actants as part of defining network objectives. Actors advance favoured goals and solutions, then recruit other actors to be allies in the process of forming commitments to emerging networks. Immutable and combinable mobiles are artefacts (inscriptions) that allow accumulation of connections (Latour, 2005). It is the process that allows a network to be represented by a single entity, which can in itself be an individual or another network. Callon (1986) summarises the process of translation in four 'moments' or phases. This links to another concept called problematisation. It defines the problem and the set of relevant actors who, by defining the problem and the programme for dealing with it, make themselves indispensable during which, the primary actor (s) recruit other actors to assume roles in the network, which recognises the centrality of the primary actor's own role. This is called *interessement* leading to enrolment during which roles are defined and actors are formally accepted and taken on board. This leads to what is called *Mobilisation* during which primary actors assume a spokesperson's role for passive network actors (agents) and seek to mobilise them to action.

For ANT theorists, the 'success' of science and technology is attributable to the ability of scientific networks to force entities to pass through laboratories or

clinical tests in order to harness 'scientific evidence' within disputes; to translate materials, actors, and texts into inscriptions that allow influence at a distance; and to organise as centres of translation where network elements are defined and controlled, and strategies for translation are developed and considered. The translation is the sociologic of parasitism. Sociological analysis must find its accommodation with this series of translations, Callon (1980). In Callon's (1986) study of scallops, he translates how actors interact within the network, shaping each other's behaviour. He demonstrates networks by defining the actors and ensuring the role of the process. In the networks which also mean the actor-network, actor does not act alone.

By drawing attention to the role of transition within ANT, and studying the process of actors transforming each other, Callon named the method 'translation'. Callon (1980) also informs that translation involves negotiations among human actors and representatives of material actors. These establish common sets of definitions and meanings for understanding the phenomena with which the network is concerned. The outcome of successful negotiations is an actor-network characterised by aligned interests. The degree of alignment is the degree of convergence of an actor-network. Complementary to Latour (1987), Law (1992) observes translation as a verb which implies transformation and the possibility of equivalence, the possibility that one thing (for example actor) may stand for another (for example another network).

Finally, there is a situation of making a black box which is defined as a term 'used by cyberneticists whenever a piece of machinery or a set of commands is too complex (e.g., DNA double-helix). Simply, it is a technical term for a device, system or object when it is viewed in terms of its input, output and transfer characteristics without any knowledge required of its internal workings. Almost anything might occasionally be referred to as a black box such as a transistor, an algorithm, humans, or the Internet.

The term black box is not only used in sociological, philosophical, and historical approaches, but also in ANT. Latour (1980) uses the term to describe an original and complex network that is taken for granted, with messy processes of becoming or been forgotten. Researchers have tried to use ANT analysis in order to open the black box and examine the specific translation processes or how the network got

established from the beginning. For example, Wickramasinghe and Alawattage (2005) inform that the system-building processes ultimately give rise to ‘facts or machines’ or ‘black boxes’ granted technology such as Management Accounting.

### 3.4.2 Obligatory passage point (OPP)

This section examines another central concept, obligatory passage point (OPP), associated with ANT. OPP refers to critical network channels designed by the primary actor to ensure that communication passes through his or her domain. This implicates that the actor becomes functionally indispensable to the network via the OPP. Drawing on a metaphor, Callon (1986) visualises the OPP as the narrow end of a funnel that forces the actors to converge on a certain direction, without moving in different directions. It is necessarily the key point for formation of the network through activity action. Further, Copper et al (2012), draw on trials and experiments to offer insights into the process of translation and explore the nature of OPP in activities related to controlling accounting technologies. They observe OPP as a means of assisting the process of problematisation, framing solutions, and overcoming resistance.

Callon (1986) had introduced OPP as negotiation spaces for local and global networks involving actors. In a study that involved technological innovation in a military aircraft project, the notion of network was used to analyse the socio-technical contents and implications. In this exercise, an attempt was made to find how actors were mobilised in the socio-technical domain with focus on developing suitable proposals towards revising the network. When this happens, there cannot be a difference between human beings and machines - both work together creating the obligation. That means management becomes an *obligatory point of passage* where transactions and contacts are enacted between various networks and between the projects.

In a further study, Picard (2016) draws on the ANT and Callon’s ‘moments’ of translation to shed light on how marketing has become an OPP between the two actors, the accounting field and professional accountants. They observed that an increasing role was being played by marketing experts in influencing professional accounting bodies. Thus, marketisation of information has become a natural



‘process’ in the field of accounting. Picard contextualises the marketisation process by applying the four moments of the translation process. He highlights each ‘moment’ with key events and reconfigurations of the actors’ identity representations. Thus, as the first step (problematization), marketers establish themselves and their practices as OPP, identify the numerous problems with accountants, be aware of other challenges and resolve the problems in order to achieve increasing marketing expertise. However, marketisation of accountancy within a neo-liberal ideology has been challenged in other forms of businesses. Picard notes that accounting firms create ‘reputational marketing’ and ‘informative marketing’ networks aimed at developing business relations with prospective clients and accountants.

Cooper et al (2017) studied the way BSC as a general management practice was developed and popularised. While they used ANT as a framework for understanding this development and popularising, they also used OPP as a related concept to theorise the process of problematising and solution seeking. According to their use, the task of OPP was to frame an idea, control it, and solidify the support of networks towards blocking any resistance. In developing and popularising BSC, the proponents did the same. They problematised the previous practices of performance measurements emphasising certain issues. They offered BSC as a solution to address those problems. In this way, the followers and practitioners wanted to believe in their attempts as the ideas were better framed and everything was controlled through the power of their global network. Consequently, they solidified the support of this global network and overcame the possibility of non-adaptation. This led BSC to be globally popularised.

### **3.5 Theoretical and methodological justifications**

#### **3.5.1 Theoretical justification**

Theorising is the centrepiece of research which applies for the sphere of critical management accounting as well. The use of theory in the interpretive tradition of research makes the story explicit, meaningful, and explainable. The findings of empirical study can then be better explained using a suitable theoretical

framework to facilitate the emergence of underlying propositions (Alawattage et al, 2017).

For such a theorisation purpose, the present study is unique and interesting owing to several reasons. Firstly, it involves the study of tensions in management controls sandwiched between (arising owing to) two specific forces, viz., governmental regulations and product specifications, initiated locally and globally, respectively. The study of the interplay, manifestation and implications of the dual forces, one originating within China and the other from the US, offers a novel experience as extant literature does not report of a similar investigation. Instead of a few specific forces, the extant literature largely deals with constellations of forces. Secondly, the study of management controls in a Chinese family-owned business has not been attempted in recent times. Thus, it poses as an ideal candidate for examination with the use of an appropriate theoretical framework.

The ANT is an admired theoretical framework owing to a number of reasons. Chua (2005), in praise of the work of Latour (1983) and Callon (1986), furnishes three reasons for its attractiveness in accounting research. First, it is pointed out that making up of 'new' numbers and the battle to secure their legitimacy may be seen as being similar in importance to a scientific controversy. Like such controversies, the birth of an accounting may change the map of organisational reality, challenge existing work traditions, and unfold a battle-like situation. Second, Latour's sociology of translation does not commence with the basic positivistic assumption that a particular science or technology is rationally accepted. Instead, Latour and his colleagues enquire how a notion of reality come to be socially constructed and how and why fact-building networks emerge and survive. Finally, the work of Latour and Callon draws attention to the persuasive powers of non-human allies who are claimed to be on par with humans. Thus, it is evident that stakes for selecting ANT as a theoretical choice are high.

This is enjoined by the plea of Justesen and Mouritsen (2011) who, while recognising the contribution of the ANT in accounting research, laments about not harnessing its fullest potential. Despite the presence of a large number of ANT inspired publications, they appeal for further exploration of the ideas of the ANT in future accounting research. In essence, they appeal for more work that could open up new vistas of the ANT while shedding more light on the problems being

studied. This is all the more important in relation to accounting research in LDCs where there is a dearth of publications taking this theoretical approach. ANT has been widely used as a theoretical choice in the study of accounting change in developed countries. It has also been of use in the study of management controls and associated tensions in these empirical locations. Although extant literature in this area largely concerns developed countries, an emerging interest in the application of ANT in LDCs is noticeable. How and Alawattage (2012) work on a Malaysian company is a case in point. Thus, in response to the aforesaid qualifiers (Chua, 2005; Justesen and Mouritsen, 2011), the nature of previous work conducted with the use of the ANT as well as a continuation of How and Alawattage (2012) imitative, ANT emerges as an appropriate theoretical framework in the present study.

Thus, this study aimed at understanding the story of tensions (*Governmental regulations imposed upon the business and product specifications stipulated by customers*) on management controls in a family-owned business in China and draws upon the ANT as its theoretical framework. The ANT, as the theoretical framework, examines the relationship changes and the role of actants while recognising the heterogeneity of related entities with a view to understanding how various actors work in dealing with tensions in management control in the empirical location. This approach enables understanding of the world from a different perspective, appreciates the complex social circumstances, and assesses the impact of accounting technicians on the family-owned business in China.

### **3.5.2 Methodological justifications**

According to Latour (1986), ANT is built on three methodological principles that guide researchers' activities and roles: agnosticism, generalised symmetry, and free association (Latour, 1986). *Agnosticism* suggests that researchers should be impartial towards the arguments made by the actors engaged in the controversy. It also suggests that observers must not censor the actors when they speak about themselves or other actors. Basically, researchers should refrain from judging how actors examine the environment that surrounds them. The next, *generalised symmetry* prescribes researchers to analyse human and non-human elements on the same terms and be examined using similar methodological frameworks and

vocabulary Callon (1986). It necessarily implicates non-discrimination between and within categories. The last, *free association* prescribes that ‘the observer must abandon all a priori divisions between natural and social events’, i.e., reject the boundary that divides the social and the natural. This precludes imposing a pre-defined analysis on the actor's interpretations of their world (natural or social) and instead follow the actors that define and connect the different elements which they build (Callon 1986).

ANT is situated within the sociology of science and technology. The ANT has become an increasingly popular sociological method and is used by many researchers in a range of social science studies, especially information system and technology analysis. Callon and Law (1988), engaged in an aircraft project study with focus on both technical and social contexts, observe that one of the involved methodological principles is not to break-up between social and non-social context as it is naïve to go for such a distinction. In addition, Latour (2005a) suggests that ‘T’ for theory in ANT can also be understood as a methodological approach, and thus, offers a tool of analysis which can be applied to ‘narrative’ knowledge.

One of the methodological philosophies is that common practices could explain all ingredients of socio-technical analysis. The analysis of alliances and networks are involved when the ANT approach is translated to management and organisation studies; not only the actors within the organisation, but also the invisible actors outside it. Latour (1987) also admits that the work of scientists (researchers) is highly dependent on a large supportive network from outside the laboratory but seems physically isolated from rest of the world while engaged in their research. For instance, in managerial networks, they are seen to be the networks of management and organisational control systems, the legal system etc. while domestic social support help from outside.

Ontology refers to the philosophical stance of the nature of knowledge and the conditions required for a belief to constitute knowledge; so, in philosophical analysis it is about the nature of reality. One of the problems in dealing with ANT is ‘real’ which means the ‘real’ is not only there, but also elsewhere. Real can also be the expressed, by using words, the reality being ‘out there’ (Latour, 1999). But entities always are being constructed discretely as the order of things. For instance, politics is based on a hierarchical distribution, using heterogeneous ways

to exclude specific inclusions. Hence, it could be understood as ontological politics in ANT. In other words, being the product of entirely human interpretation, it makes possible for investigating connections between heterogeneous constructions and internal associate as one of the benefits following the construction order in ANT. Hence, the notion of ontological politics is established on the concept that things could be otherwise, even something superior to others. Cosmo-politics is another concept which has risen to the notion of ontological politics. Similarly, they all concern about being real and construction of entities with each other, but Cosmo-politics is a double injunction, which does not only engage in 'real' and being real, but also allow 'others' being involved in the story as well. Instead, the things could be 'otherwise'. In ANT, essentialist, dualist and determinist are charters in ontologically realism.

### **3.6 Summary and conclusions**

This chapter was devoted to establishing the suitability of Actor-network theory for the study of tensions in management controls in an FOB in China. At the outset, it discussed the emergence of ANT as a social theory. This was followed by a review of ANT-inspired accounting research including a few studies in LDCs. Then the chapter elaborated the relevant concepts related to ANT covering the ideas of science and technology, black box, and obligatory points of passage as well as a critique of the ANT and a brief account of its methodological stances. This proceeded to Section 3.5 justifying the theoretical and methodological choice. In doing so, overall, the chapter provides an analytical roadmap for the empirical analysis presented in Chapters 5 and 6. In the next chapter, I will describe the methodology and methods I followed to collect and analyse the data.

# Chapter 4

## Methodology

### 4.1 Introduction

The previous chapter dealt with the theoretical framework for the study of management controls in a family-owned business in a developing country, viz., China. It comprised of theorising tensions associated with management controls in diverse locations in developing countries, including China. It, thereafter, proceeded to present the Actor Network Theory (ANT) as a suitable framework for analysing and theorising management controls in the said family-owned business. What was required next is to propose and justify a methodology that could be utilised to discuss management controls at play in a chosen empirical site using the ANT as the theoretical framework

This Chapter, written with this aim, is organised as follows: Section 4.2 investigates ANT as a suitable methodological choice from ontological and epistemological standpoints; Section 4.3 justifies an ethnographical stance as the research design for the study; Section 4.4 introduces the empirical site (the company) as well as related procedural aspects; Section 4.5 describes the conduct of field work organised into five distinct stages. This process to Section 4.6 where I have outlined the aspects of data analysis.

### 4.2 Philosophical perspectives

Sociology-based qualitative research of the interpretivist tradition is currently in vogue as is evident by the considerable number of publications in the spheres of political science, psychology, healthcare, and management studies including accounting. Aimed at examining the world at a human level via understanding and interpreting their feelings, ideas, and motivations, interpretivism are poles apart from its alternative tradition of positivism which promotes a worldview with an objective reality (Hennink et al,2010). Irrespective of being a positivist or interpretivist, methodology forms a central concept of the research process which differs according to the preferred research tradition.

Qualitative research methodology encompasses actions, processes, and designs behind the choice to approach a problem and the links between choice and methods to seek answers resulting in descriptive data. However, arguments and debates surrounding methodology continue unabated, on issues such as the purpose, assumptions, perspectives as well as choice of theory. Thus, it is vital that the researcher, prior to deciding on the appropriate methodology, gives careful thought to the said factors.

The inspiration for the choice of an interpretivist perspective and a qualitative methodology arises from the nature of information required to find answers to research questions. In the present context they constitute how global networks, government regulations, and customer requirements affect local management control and the associated employee behaviour. Understandably, they have to be understood at the level of humans involving language, voice, words, day-to-day behaviour, and events surrounding action. It follows that the collection of data involves listening to what actors say, reading what they write and think, observing their behaviour, and deducing their attachments giving rise to a set of rich descriptive data.

The two basic concepts, ontology and epistemology, in the interpretivist perspective have been argued extensively by many researchers (Burrell and Morgan, 1979). Herein, ontology refers to the nature of reality, whilst epistemology refers to the best way of accessing the nature of the world. There has been an interesting ontology argument in ANT such as questions of inquiry, “what is reality?” and “how is it defined?” The ANT has its own ontology, constructed by the interplay of different actors (human and non-human). Latour (1987) highlights that technology and humans do not have a prior different and defined effect on their relational interplay. In science and technology, study must focus on the actor interaction rather than on the relationship between actors and networks. Such reality emerges from interaction. Interestingly, there has not been many ANT-based research that provide an understanding of the nature of the interaction between technology and human, and their nature.

Walsham (1995) has argued that the use of ANT as an interpretative lens for analysis of the interaction between technology and human, and relational network ANT has become a method of data collection by following the actors. Interpretivist

researchers have a long history seeing ANT as such an approach to understanding the world and they have used it in that way comfortably. The interpretive methods of research are a social construction by human actors, and based on this view, all data obtained are valuable as researchers use their own preconceptions to enrich the meaning of data. In other words, when ANT has been used as methodology, it guides researchers to see the world from a lens through which data can be collected. Therefore, ANT is not only a theory, but also a descriptive methodology.

Furthermore, under the philosophies of science, positivism, social constructionism, and critical realism, most of the researchers make their philosophical choices between positivist and constructivist. However, there is a small difference in this research because Latour (2005) highlights ANT as realist realism. There is a difference in the ANT methodological consideration with constructivists. For example, Lundberg (2000) informs that ANT is positioned between constructivist and technological deterministic studies. As ANT assumes that technology (non-human actors) takes the same importance as humans, the impact has to be considered, but constructivists tend to ignore the impact of technology, only considering human actor as it is inescapably socially constructed.

In the ANT methodical consideration, essentialist, dualist and determinist stances are important. First, 'ANT, in fact, continues to rely upon the notion of inherent agential capacities when attributing properties to natural and material objects' (Whittle and Spicer 2008), and thereby illustrates the *essentialist* assumption. Under this assumption, Callon's (1986) study of Saint Brieuc Bay, treat scallops and fishermen as actors and the principle of generalised symmetry suggests treating human and non-human actors equally. However, Collion and Yearly (1992) argue about the symmetry between those actors created by research analysts. In the meantime, the ontology should be created by understanding the role of non-human actors in such studies (Callon and Latour, 1992). Latour uses the word 'actant' to describe who acts as part of forming networks and claim agency as 'the capability to make a difference' (Giddens, 1984). In addition, as the close relations among interaction, agency and performativity, we understand the reality of ANT. The heterogeneous network of such relations also perform reality and creates agency.



The *dualist* is the second assumption in the ANT ontological realism framework on the methodological principle of ANT-free associations. ANT distinguishes human and non-human actors for analysis and demonstrates their interconnection. Callon (1986) suggests, 'the observer must abandon all prior division between natural and social events'. In the Callon and Latour (1992) study, they argue that social life involves participation of humans with non-humans. Latour (1992) keeps arguing that the study of social science cannot stand without understanding how technology shape our lives. Nowadays socio-technical systems negotiations keep developing between people and organisations. Every argument does not profess that technology and machines think as the humans do, but they do have a comparable role to play.

Third, with respect to the determinist assumption, Whittle and Spicer (2008) discuss ANT's inability to uncover limitations of causality and recognise its role in organisational power. Alongside, other researchers have been interested in how the strength of actors of networks can be constructed and maintained as well as power relations within organisations. Latour (1992) asserts 'ANT is all about power' and Law (2009) highlights 'There is attention to power as an effect'. Hence, it is imperative to use the same way to analyse everyone with power taking a stance of 'studying up' rather than down. It is also asserted that power itself is never visible, but the effect of power is distributable and relational. Hence, the networks under the study of ANT are of anti-determinist type with study of power relations facing resistance and obstacles.

### **4.3 Ethnography as the research design**

Chapter 2 has documented how management controls in a family business in China have been developed, implemented, and transformed in relation to the governmental policies on such controls. As FOBs in China have played a vital role in its exponential development, an examination of organisational management controls that contribute to this development is both relevant and timely. Whilst the SME sector constitutes a wide range of businesses within a variety of organisational forms, the present study was confined to a single case, a family business belonging to the SME sector. Its micro-level control practices in relation to government policies were be studied.

I am confident that studying management controls of family businesses in the SME sector is important considering the influence of the recent transformation of the Chinese economy. These remarkable economic achievements have been attained largely owing to mechanisms deployed in FOBs in the SME sector. The involved mechanisms are nothing else but organisational controls which are the product of a dynamic link between the organisation and society. Revisiting the difficult theoretical link between accounting and society, Walker (2016) coins this type of control as *social control*. Thus, I discerned the notion of control beyond its functional meaning to locate the functions of controls in the wider context of society, in my case China.

Cresswell (2017, p.50) explains ethnography in this way:

*“Ethnography is a design of inquiry coming from anthropology and sociology in which the researcher studies the shared patterns of behaviour, language, the actions of an intact cultural group in a natural setting over a prolonged period of time. Data collection often involves observations and interviews.”*

With a background of growing up and living in that place for over 20 years amidst strong family ties, friendships, and relations with familiarity of history of peoples and places, I was in an enviable position of immersing in the locality and to see, listen, hear, and observe. Keeping this broader perspective in mind, based on the methodological approach and research methods, I selected ethnography as my research design method, and devised a detailed plan and executed it in relation to the organisation selected for the study.

#### **4.3.1 Methodological approach and its rationale**

As I commenced my PhD work with a new team of supervisors, I was directed to read more papers with a qualitative case study approach in comparison with its alternative, the quantitative approach that promotes statistical generalisations (Mason, 2006, 2017; Ryan et al, 2002). In fact, I was fascinated by the observations made by Mason (2006) who compared quantitative and qualitative research and highlighted the importance of doing ‘real-life’ case studies.

For those with a quantitative orientation, the ‘big picture’ gained through quantitative means may be rigorous and based on representative or statistical

forms of sampling and analysis, but it also feels superficial or lacking in ‘real life’ resonance. From that perspective, the use of selected qualitative approaches - for example in the form of in-depth case studies - can be illustrative and evocative and provides a more close-up view. Conversely, for a researcher with a primarily qualitative orientation which focuses on social processes in rich and proximate detail, the inclusion of some background quantitative material, perhaps in the form of local or national demographic data, can help in making the research part of a bigger set of observations (Mason 2006, p. 3).

The approach I took stimulated me to gain an interpretive understanding of management control (Ryan et al, 2002; Mason, 2017). Rather than seeking a statistical generalisation based on hypotheses tests, this methodology provided a deeper understanding of what was going on in relation to a particular research setting. The notion of ‘understanding’ is materialised by reflecting on the case findings in relation to its wider context where the case setting is located, developed, and sustained. For example, when an SME is chosen as the case study, its control system can be studied in its wider context of SME policies in the country.

Most researchers in management accounting have taken this methodological approach since the early 1980s and produced a vast knowledge of how management controls operate in the wider context of organisations and society (e.g., Berry et al, 1985; Ansari and Bell, 1991; Preston et al, 1992; Wickramasinghe et al, 2004; Kurunmeki, 2007; Wickramasinghe, 2015). The knowledge so developed is not only about how management control systems in those organisations developed and practised but also about how the broader context of economy and society (i.e., its politics, traditions and cultures) have shaped such control systems.

My research was built on this school of methodology with a view to gaining a deeper understanding of a management control system operating as an FOB within the SME sector which would have been shaped by broader governmental policies in China. Instead of regressing the findings to all family business within the FOBS in the SME sector in China, the methodological rationale here was to explore why certain government policies come about, how they are linked to individual organisations (no matter what they do), and how management control systems are shaped by such policies. A similar approach was taken by Berry et al, (1985) which

became a landmark seminal work in management control research which pioneered and promoted qualitative studies. For example, they highlighted the importance of data rather than adopting a superficial theoretical approach:

*“This paper does not represent a well-packaged theoretical statement of the conclusions of the study. Instead, it represents the overlapping and occasionally contradictory picture that emerged for the research team as a result of their experiences”* (Berry, et al, 1985)

This approach and understanding of controls from participants’ perspective are equally important for us know how recent developments (taking place) in China are producing not only economic development and growth, but also necessary control systems in economic organisations. This understanding is rare in management accounting and control literature (see Hopper et al, 2012).

In order to fully materialise this methodology and to guarantee a ‘deeper understanding’, the data (collected through a number of research methods) was analysed by reflecting on those policies that promoted and sustained FOBs in China, rather than using a particular theory. Hence, I adopted the approach taken by Berry et al, (1980), a seminal work in management control research which adopted this methodology. By following this methodology, I gained a deep understanding of a system of control in our time which was featured by transformations and intended or unintended consequences. Walker (2016) echoes the significance of this deeper understanding.

Such transformations also reinforce the desirability of a continuous probing for opportunities to explore the roles of accounting in society. Elliott and Turner (2012, pp. 159e 168), for example, envision a number of ‘social futures’ during the twenty-first century. Potential interfaces with accounting surface in each of these. The authors point to the emergence of ‘feral societies’ in which the disorientating impacts of globalisation and neo-liberalism incite civil conflict and violence. New technologies of governance, including accounting, may feature in the control of populations. In the context of globalised consumerism and the centrality of high-speed information networks, Elliott and Turner (2012, pp. 163e 165) also envisage the rise of ‘entertainment societies’. To this end, as Walker (2016) observes, I was able to see how accounting is broadly linked to society and

polity which China is also facing now. This understanding resulted in a vista of 'deeper understanding'.

## **4.4 Fieldwork**

Having decided on an interpretivist theoretical approach, I decided to spend six months at the empirical site to experience reality from their own frames of reference. My intention, thereby, was to study and understand the actors' behaviour. Prior to this I managed to obtain approval for access to the organisation, gained ethical clearance from the university and planned out the fieldwork. Thereafter, the fieldwork commenced at the empirical site and was completed within a period of six months.

### **4.4.1 The empirical site (organisation under study)**

The FOB to which I gained access is a manufacturing company with a relatively successful business over the last several decades. The business philosophy of this business is to exploit the opportunity created by the newly opened economy in China for growing the wealth with a substantive rate of profitability. As the owner of the business said, this was a historical opportunity to run businesses lucratively as most Chinese products were now widely sold in the international market. He also mentioned that there was a growing motivation among individuals to exploit this opportunity as many people he knew began to think of running a business. All wanted to exploit the new opportunity because there was a growing and lucrative global market.

The other related business philosophy was its family spirit. As the owner said, he and his wife maintained their desire to sustain the businesses while exploiting the above global opportunity. This desire led them to dedicate their daily life to the business. As they said, the business had been their 'life' for many years - they had gone through enormous hardships to get the business perfect in every sense through enormous struggles and challenges. They wanted to choose right product lines and right customers over the years - all such issues were addressed jointly as a family. For this, support of relatives and friends were commendable, as they

commented. Hence, the key to the success is this family spirit - their desire, dedication, and resilience.

Based on these two dimensions of their business philosophy, before producing for the export market, they started producing home appliances for the domestic market in 1999, and they gradually expanded their operations to export the products since 2003. Over the years, they had learned how to deal with international customers and what rules and regulations they had to follow in order to sustain as a growing business. One of the important lessons they learnt was the importance of adhering to customers' product specifications and quality standards. Although there were less issues in meeting quality specifications for local customers, the owners had realised that this was not the case for foreign customers as they had many alternatives. Hence, this FOB gradually developed their understanding of the importance of quality assurance so that they were ready for a global business.

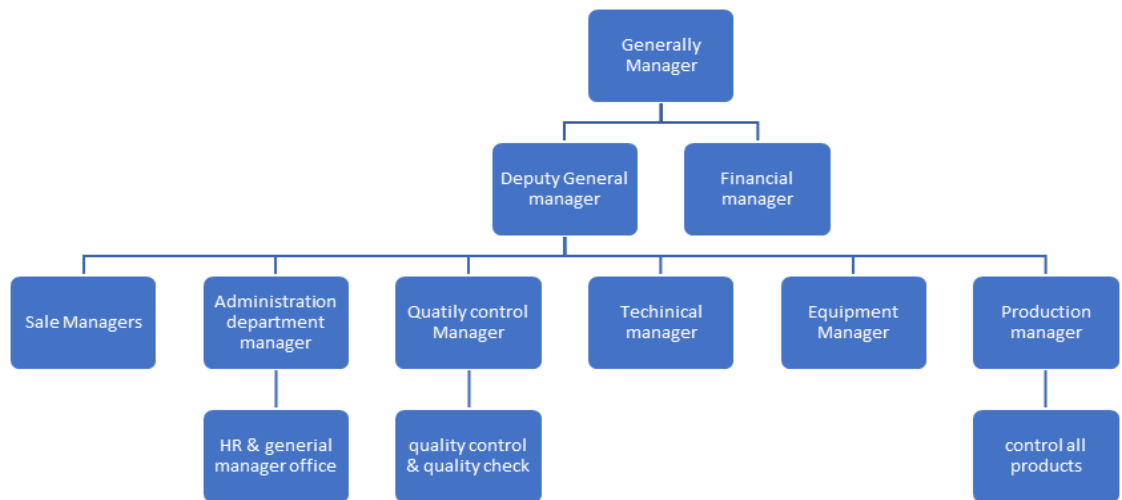
With this understanding, in 2005, they had an opportunity to have a business meeting with a domestic supplier of elevators. Having sourced required capital, technology, and facilities, they embarked on this business in 2006 for producing essential parts of elevators for this global supplier. The mission to produce high quality products by attending to details through family spirit directed them to satisfy the customers. This made them to be successful in this business line so that they began to concentrate on this business line as their core while keeping the production of domestic appliances as their non-core product line.

With the success of this concentration strategy, in 2009, they were able to contact a global supplier of elevators based in Shanghai (they did not want to reveal more details for confidentiality reasons). As the discussions were successful, they decided to radically change their business model from producing some essential parts of elevators for the local market to producing them to the global market through this supplier, whom I call the 'customer'. The new business model was a challenge in two respects. On the one hand, they were growing into a large business requiring a more formal structure while keeping the family spirit as their engine of informality. On the other hand, as they have now been exposed to a competitive global market, they were required to adhere to numerous rules, regulations, and quality assurance specifications.

This showed me a dialectic between an informality stemming from family spirit which made them to resiliently dedicate their life to a successful business and a formality. On the one hand, this dialectic would be useful for their business success as it inserted a challenge for them to face. On the other hand, this dialectic offered a fantastic opportunity for investigating how such a dialectic was transformed into a system of management control. Hence, I realised that this FOB was an ideal research site for me to follow the actors, to understand how they took the challenge, and to see how a system of management control was constructed. Rather than following the logic of sampling, as positivistic researchers do, I did consider the suitability of this research for the intended theoretical analysis. Hence, even though SMEs in FOB sector in China has been growing and significant in the economy, I did not want to represent this population through logic of sampling.

Subsequently, in 2019, I contacted the General Manager (GM) of the organisation, visited the place and expressed my desire to conduct my doctoral study in the location. I also informed the purpose of my research, the kind of material/data required and the support I anticipated from them. I found that he was interested in my topic and the intended work which further encouraged me to conduct the study there. Subsequently, I had an opportunity to spend a week in that organisation which was utilised to understand the nature of the business and its management control system. The time I spent was an amazing opportunity for me to see for myself how daily controls are exercised within a hierarchical setting whose organisation structure is given below. (See Figure 4-1). It is observed that the structure is characterised by a combination of formal controls within a narrow span of control and a culture of informal controls where closer attention is paid by the owners in an ad-hoc manner while ensuring the requisite quality of products and quantities targeted.

**Figure 0-1: The organisation structures**



It was noted that the controls encompass two main areas, namely quality controls that ensure the products meet customer needs and employee controls that ensure the workers are responsible for the meeting of targets without wasting resources unnecessarily. I also noted that the formal and informal controls are mobilised with seriousness to achieve these two domains of control. This experience helped me choose appropriate research methods and develop a suitable plan for the fieldwork which was carried out from September to December 2019. My early interactions with the organisation permitted me to set out on my journey of fieldwork by framing of the following broad questions:

- What methods, practices and technologies do they have in order to achieve these two domains of control, i.e., quality controls and employee controls?
- How have these formal and informal types of control been developed over the years? Were they developed separately and differently or concurrently and collaboratively? How did the organisational form respond to these developments?
- What policies and strategies have been in place towards the operationalisation of these controls? How were these policies and strategies introduced and how were they translated into a mechanism of controls for controlling employees and product quality?
- What challenges and issues have the system of controls faced? How were those challenges managed and issues addressed? How were the changing policies and strategies implicated in these efforts?



- What unintended consequences emerged when maintaining these controls? Are these consequences being solved properly or are there other issues/problems that developed in response to those solutions?

As I have now organised my broader research aim into these five questions, my research methods were framed towards answering them through the collection of empirical data.

#### **4.4.2 Ethical clearance and entering the field**

I had obtained full ethical clearance from the University of Glasgow. This was a long process with several rounds of revisions. In the process, first, I obtained the permission to conduct the fieldwork from the organisation which I studied. The permission was submitted with the application for the ethical clearance. As usual, this application was also accompanied by other required documents such as a plain language statement and consent form for conducting interviews and making observations. This was also accompanied by a declaration of how I will be using and protecting the data on behalf of the respondents. In accordance with this requirement, I took necessary measures to keep the data protectively and to use them only for the purpose of this thesis and subsequent journal publications. Moreover, I ensured in the application that as the researcher, I was safe in an environment where risk is minimum. Consequently, after a few rounds of amendments, changes, and responses, my ethical clearance was approved allowing me to conduct the fieldwork.

#### **4.5 Research methods**

In order to find answers to the above questions, I conducted fieldwork that involved both primary and secondary data. The approach taken was like the one taken by Wickramasinghe and his associates (Wickramasinghe and Hopper 2005; Wickramasinghe et al, 2004; Alawattage and Wickramasinghe 2009). As Wickramasinghe and others had experienced, one of the opportunities in this regard is that I was born and raised in the fieldwork area where the case organisation is located. This is a city with diverse development projects which are concentrated on manufacturing activities. The city is also abundant with many

FOBs belonging to the SME sector. With deep-seated roots, I was familiar with the culture of the city, nature of relationships, and the physical and social environment in which family businesses operate. Thus, the case study was conducted within its local culture but in relation to governmental policies and the ensuing management controls.

Building on the experience I gained from my previous visits, I adopted the following five steps in collecting data and its analysis.

- Questionnaire survey of the entire employee population
- Interviews and conversations with key actors and follow-up meetings
- Focus group discussions
- Observations at meetings and of the physical processes of controls
- Developing a storyline for analytical reflection

#### 4.5.1 Questionnaire survey

The questionnaire served as the starting point of fieldwork (see Table 4.1). The main purpose of the questionnaire was to find ‘facts’ about people and the system in which the controls operate, whilst these ‘facts’ were unbundled into detailed interviews and conversations in the second phase of the fieldwork. The questionnaire was administered to every employee of the organisation, including both the management and the workers. The responses were collected by meeting them in person rather than doing so remotely. This was possible owing to the limited number of employees in this medium-sized organisation whose access at any time was guaranteed.

The questionnaire covered the following fifteen aspects and responses for each question was recorded under each question in a separate sheet of paper allocated for each employee.

**Table 4-1: Summary of questionnaire**

1	What is your position in the organisation?
2	How long have you been in this organisation and what different roles did you play during your time?

3	How do you see yourself as part of the organisation's control procedures?
4	What kind of control are you referring to? Do they cover production, quality control, or any other?
5	What is the basis (rationale) of the control as you understand?
6	Is there any purpose in having this type of control, in your opinion?
7	Have these purposes been developed internally, or have they been influenced by any external regulation/agency, according to your understanding?
8	What tools, methods and procedures are being used in maintaining these controls?
9	What are the most effective tools, methods, or procedures among them? Why do you think that those are better than others?
10	Do you think that these controls are effective and produce positive outcomes? If so, in what sense? If not, what are the areas of concern?
11	Do you remember any changes or modifications made to these controls and the circumstances under which such modifications/changes took place?
12	What were the reactions generated as a result of modifications/changes? Were they technological or organisational in nature?
13	Are you happy with the current system of control or do you think that some changes or modifications are still needed to suit the requirements of the organisation?

14	What are the future challenges, in your opinion, that the firm is facing in relation to the controls we discussed?
15	How does the firm overcome these challenges? In what ways?

#### 4.5.2 Interviews, conversations, and follow-up meetings

The questionnaire survey provided a broad understanding of the control system in the organisation and confirmed my observations and experiences gained during my earlier visits. The knowledge thus gained was fed into my next stage of data collection where I paid greater attention to the micro-processes of the system of control. The method I adopted here was to conduct in-depth interviews and natural conversations with key actors who were involved in the functioning of the system of control. Further, the interviews and conversations were conducted in a natural way as I went about in the organisation whilst the following questions served as a guide (see Table 4-2).

*Table 4-2: Summary of interviews/conversations*

Respondents	Key themes	Time duration
General Manager	<p>Historical development of the organisation and his role as the General Manager.</p> <p>Family-owned business development in China and key policy influences.</p> <p>Nature of the control system in the organisation.</p> <p>Major issues faced/being faced in managing employees and related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement?</p>	2-3 hours

	<p>Any instances of misconduct, misappropriation, or false statements?</p> <p>Any solutions made to overcome those issues?</p> <p>Any changes that need to think about in devising solutions?</p> <p>Any other important matters?</p>	
Quality Manager	<p>How to control quality in the organisation?</p> <p>Historical development of the organisation and his role as the Quality Manager.</p> <p>Family-owned business development in China and key policy influences, especially regarding quality control matters.</p> <p>Nature of the quality control system in the organisation.</p> <p>Major issues faced/being faced in managing quality control related processes and activities.</p> <p>Any instances of fraud, theft or embezzlement regarding quality control and the procedures in place to address those?</p> <p>Any instances of misconduct, misappropriation, or false statements related to quality control matters?</p> <p>Any solutions made to overcome those issues?</p>	2 hours

	<p>Any changes that need be thought about in devising solutions?</p> <p>Any other important matters?</p>	
Finance Manager	<p>Historical development of the organisation and his role as the Finance Manager.</p> <p>Family-owned business development in China and key policy influences related to financial management.</p> <p>Nature of financial control systems in the organisation.</p> <p>Major issues faced/being faced in managing financial control related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within financial control processes?</p> <p>Any instances of misconduct, misappropriation, or false statements related to financial control matters?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be thought about in devising solutions?</p> <p>Any other important matters?</p>	2-3 hours

<p>HR Manager</p>	<p>Historical development of the organisation and his role as the Human Resource Manager.</p> <p>Family-owned business development in China and key policy influences related to human resources.</p> <p>Nature of employment control system in the organisation.</p> <p>Major issues faced/being faced in managing employment control related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within employment control processes?</p> <p>Any instances of misconduct, misappropriation, or false statements related to employment control matters?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be thought about in devising solutions?</p> <p>Any other important matters?</p>	<p>2-3 hours</p>
<p>Purchasing Manager</p>	<p>Historical development of the organisation and his role as the Purchasing Manager.</p> <p>Family-owned business development in China and key policy influences related to purchasing management.</p>	<p>2-3 hours</p>

	<p>Nature of controls related to purchasing management.</p> <p>Major issues faced/being faced in managing the purchasing function and its related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within the purchasing management processes?</p> <p>Any instances of misconduct, misappropriation, or false statements related to purchasing management matters?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be thought about in devising solutions?</p> <p>Any other important matters?</p>	
Sales Manager	<p>Historical development of the organisation and his role as the Sales Manager.</p> <p>Family-owned business development in China and key policy influences related to sales management.</p> <p>Nature of controls related to sales management.</p> <p>Major issues faced/being faced in managing sales function and its related processes and activities.</p>	2-3 hours



	<p>Any instances of fraud, theft, or embezzlement within the sales management processes.</p> <p>Any instances of misconduct, misappropriation, or false statements related to sales management matters?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be thought about in devising solutions?</p> <p>Any other important matters?</p>	
<p>Technical Manager</p>	<p>Historical development of the organisation and his role as the Technical Manager.</p> <p>Family-owned business development in China and key policy influences related to technical management.</p> <p>Nature of controls related to technical management.</p> <p>Major issues faced/being faced in managing technical management function and its related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within technical management processes?</p>	<p>2-3 hours</p>

	<p>Any instances of misconduct, misappropriation, or false statements related to technical management.</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be thought about in devising solutions?</p> <p>Any other important matters?</p>	
<p>Equipment Manager</p>	<p>Historical development of the organisation and his role as the Equipment Manager.</p> <p>Family-owned business development in China and key policy influences related to equipment management.</p> <p>Nature of controls related to equipment management.</p> <p>Major issues faced/being faced in managing equipment and its related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within equipment management processes?</p> <p>Any instances of misconduct, misappropriation, or false statements related to equipment matters?</p> <p>Any solutions devised to overcome those issues?</p>	<p>2-3 hours</p>

	<p>Any changes that need to be thought about in devising solutions to them?</p> <p>Any other important matters?</p>	
<p>Production Manager</p>	<p>Historical development of the organisation and his role as the Production Manager.</p> <p>Family-owned business development in China and key policy influences related to production management.</p> <p>Nature of controls related to production management.</p> <p>Major issues faced/being faced in managing production management function and its related processes and activities.</p> <p>Any instances of fraud, theft, or embezzlement within production processes?</p> <p>Any instances of misconduct, misappropriation, or false statements related to production matters?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be devised in making solutions?</p> <p>Any other important matters?</p>	<p>2-3 hours</p>

<p>Group leader</p>	<p>Historical development of the firm and his role as the Group Leader.</p> <p>Family-owned business development in China and key policy influences related to leadership matters.</p> <p>Nature of controls related to the Group Leader.</p> <p>Major issues faced/being faced in maintaining Group Leader's function, its related processes, and activities.</p> <p>Any instances of fraud, theft, or embezzlement that Group Leader is confronted with?</p> <p>Any instances of misconduct, misappropriation, or false statements that come across through the Group Leader's function?</p> <p>Any solutions devised to overcome those issues?</p> <p>Any changes that need to be devised in making solutions to them?</p> <p>Any other important matters?</p>	<p>2-3 hours</p>
<p>Customers representing the Organisation. (2 selected representatives)</p>	<p>The role to be played by these people.</p> <p>How they began to perform their role.</p> <p>The matters they handle in relation to various organisational controls.</p>	<p>2-3 hours</p>

	<p>Some recent experiences and instances they want to highlight.</p> <p>The issues they have identified and the solutions they have envisaged.</p> <p>Recent solutions and their effects on control matters being discussed.</p> <p>Any other important matters?</p>	
--	--	--

The interviews and conversations were tape-recorded with the permission of each of the respondents. The recorded data were translated and transcribed in about a week's time after completion of interviews and conversations. The resulting lengthy document was then broken down to constituent summary reports with respect to the different respondents. They were then sent by email (or any other medium comfortable to them) to the respondents followed by setting up of a series of appointments with them. The meetings of 30-60-minute-duration each were used to validate the data contained in the summaries. This exercise allowed me to fill the gaps that existed in the previous round of interviews and to rectify/correct the material wherever necessary.

This case study resembled a 'snowballing' exercise where I allowed myself to see how things took place and developed as I went through situations and opportunities as well as challenges and (possible) unintended circumstances (Davie, 2005). Hence, by the time I had completed the initial questionnaire survey as well as the interviews/conversations, I was able to develop a storyline about the dynamics of management controls in relation to the family-owned business polices of this organisation situated in China. In this exercise I paid attention to the following alternative analytical angles until I was satisfied with the development of the storyline:

- Whether controls were a set of responses to policies of the family businesses rather than a genuine effort to maintain a formal system of control?

- Whether a particular organisational culture has been dominant in forming and informing this control system?
- Whether a style of control determined by the owners has become dominant over external policies?
- Whether a style of control determined by the professionals has become dominant over external policies?
- Whether there was any other rationality that underlies the nature of this control system?

The expected outcome of this exercise enabled the development of the storyline throughout the remaining phases of the fieldwork (Mason 2010).

### **4.5.3 Focus-group discussions**

The storyline so far developed happened to be an account of a control system seen from the top. In order to explore more about how policies were implicated in controls at a wider organisational level including the employees, I conducted a series of focus-group discussions. It involved gathering employees of each department/section who shared similar backgrounds/experiences. My aim was to explore specific topics related to controls, but the focus was on perceptions, attitudes, beliefs, opinions, or ideas about those controls. For this purpose, four sections/departments (disguised as Sections A, B, C, and D on request by the management) were selected, each constituting both group leaders/supervisors as well as workers. Further, one group discussion was with all group leaders separately and another with only workers (without group leaders/supervisors). Before starting the discussion, I explained very clearly what my aim was in conducting the focus group interviews and what I needed to discuss. Also, I provided them with a quick look at the storyline so that they knew what we were discussing. I received advice from the higher management on the conduct of the discussions without having an adverse impact on the overall management system. The following table gives the implemented scheme for the focus group interviews.

**Table 4-3: The scheme used for the conduct of focus-group discussions**

Group	Themes	Time
Supervisors and workers from section A - up to 7 nos.	<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p> <p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organisation.</p> <p>Any other important matter they liked to discuss.</p>	3-4 hours

<p>Supervisors and workers from section B - up to 7 nos.</p>	<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p> <p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organisation.</p> <p>Any other important matter they liked to discuss.</p>	<p>3-4 hours</p>
--	---	------------------



<p>Supervisors and workers from section C - up to 7 nos.</p>	<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p> <p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organisation.</p> <p>Any other important matter they liked to discuss.</p>	<p>3-4 hours</p>
--	---	------------------

<p>Supervisors and workers from section D - up to 7 nos.</p>	<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p> <p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organisation.</p> <p>Any other important matter they liked to discuss.</p>	<p>3-4 hours</p>
<p>Only supervisors - up to 7 nos.</p>	<p>The way they were involved in the control processes in their section.</p>	<p>3-4 hours</p>

	<p>Their overall perception about controls.</p> <p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organisation.</p> <p>Any other important matter they liked to discuss.</p>	
<p>Only workers - up to 7 nos.</p>	<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p>	<p>3-4 hours</p>

	<p>Their involvement in aspects of those controls.</p> <p>The methods they used to make these controls effective.</p> <p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p> <p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the company.</p> <p>Any other important matter they liked to discuss.</p>	
--	---	--

#### 4.5.4 Observations and documentation

The locations of observation were the organisation's offices, the work-floor and common areas such as the elevator and the reception. In the aftermath of focus-group discussions, I devoted two weeks for the purpose of observation. The organisation was situated at a distance of about half an hour's walk from my home

so that I was able to attend to the task of observation conveniently. I spent one week in the Financial Office cum Administration Office and another week on the shop floor. The process of observation consisted of ‘looking at’ what was going on, attending meetings, and observing the processes as well as workers’ behaviour on the shopfloor. At the Financial Office, I could observe the processes involved with financial control and the ways in which they handled related problems. At the Administration Office, I observed how the company used internal and government policies in devising management controls.

In addition, the organisation kindly permitted me to look at the CCTV footages of overall “happenings” on the shopfloor. This indeed was complementary to the formal sessions of observation and added value. Table 4-4 summarises those observations

**Table 4-4: Summary of observations**

<b>Location</b>	<b>Observations</b>	<b>Time to spend</b>
Financial Office	Financial control processes and the ways in which issues were handled.	4 days
Administration Office	Daily activities on how policies were used in managing employees and how they improved their policies.	4 days
Shop floor	How the production manager managed the quality and workers’ involvement in production.	4 days
Common places	Daily routines and their relations with controls.	2 days
Meetings	Board of directors, sales meetings, committee meetings, and other special meetings.	2 weeks

Upon the completion of the day’s observations, I made detailed notes in order to understand how policies were in practice within the purview of daily controls while the observations were still in memory. This happened to be a useful exercise.

In aligning with Berry et al (1985) work, I was benefitted by the daily observation of controls operating in real locations as opposed to how they would operate in stereotype situations controls.

In order to understand the formal procedures completely and to enable first-hand observation of the preparation and use of the formal systems, one of the research teams spent a week visiting the area of the Finance Department and worked with an accountant in the cost office of a colliery in the area. Detailed observation and full-time shadowing of certain personnel has continued and whilst clearly obtrusive, provided an opportunity to study how systems operated on a day-to-day basis (Berry et al, 1985, pp. 8-9).

In order to enrich this phase of research, I also engaged in reviewing related documents. These included documents such as detailed policy regulations in the HR office and annual reports, budget reports, and employee salary reports in the financial office. The company also permitted me access to e-mail repositories of different departments in order to assess communication with the customer and how they deal with problems among departments. Table 4-5 provides a summary of the documentary review.

**Table 4-5: Summary of the documentary review**

Types of documents	Examples
Regulations and policies for managing daily activities	<p>The policies for employees.</p> <p>The policies for controlling quality.</p> <p>The policies for external management.</p> <p>Trial agreement.</p> <p>The policies for safety to use machines.</p>

	<p>The policies for salaries and wages.</p> <p>Employee confidentiality agreement.</p> <p>Employee ability evaluation form.</p> <p>Employee code of conduct management regulations, etc.</p>
Regulations for financial office	<p>Annual reports</p> <p>Budget reports.</p> <p>Employees' salary reports.</p> <p>Roles of accounting.</p> <p>Government regulations or requirement for company financial department.</p>
Daily activities record	<p>Records of daily activities; company emails.</p>

#### 4.5.5 Validation, verification, and assurance

The fieldwork was about understanding actors and their behaviour in the context of a working network. Although 'biased interpretations' on the part of the actors were considered as valid data in a qualitative case study (see Mason, 2006, 2007), in order ensure an 'unbiased assessment' of their behaviour, certain steps were taken. First, I collected the same data from multiple sources so that I was able cross-check for a 'generalised asymmetry', 'agonistic elements', and 'free associations' of multiple views and observations (see Blok et al, 2020). Second, I went back to the respondents with a summary of previous meetings in order to fill

the gaps identified and to enhance clarification and accuracy where it was necessary. Third, when reviewing the documents available, I was able to reflect on what the respondents mentioned enabling me to decide whether I need to go back to them for further clarifications.

Last, when I was sitting at meetings, I used that opportunity to reflect on the data collected from interviews, conversations, and focused group discussions so that some of the views were better understood or totally changed.

Upon completion of the fieldwork, there was a mountain of data which was electronically recorded (in the case of interviews, conversations, and focused group discussions) or manually noted in notebooks (in the case of observations). The main hurdle I faced here was that all these were in Chinese. Hence, I employed a professional who were talented in translating Chinese material into English and in transcribing them into transportable texts. As I am fluent in Chinese, I went through the transcribed document with original Chinese version in order to ensure the accuracy. During this process, I contacted the translator several times to fill some gaps or enhance clarification. In this way, I verified the accuracy of the translation and transcription. This took an entire month.

#### **4.6 Data analysis**

Having completed the process of translation and transcription, I spent another week to revisit and fill the gaps in my English document. I paid special attention to examine whether the storyline brought in the new evidence or whether contradictions emerged. Since the latter was the case I, thereafter, paid attention to those dynamics which made an interesting storyline. This, in fact, was a reiteration exercise, moving and going forwards and coming backwards, until an interesting argument about the controls was developed. The scheme of the process of iteration used is summarised in Table 4-6.

***Table 4-6: Data analysis***

Focus of observations	Links to the organisational system	Links to external pressures	Consequent nature of the



			<b>system of control</b>
What methods, practices and technologies did they have in order to achieve these two domains of control, i.e., quality controls and employee controls?	Whether they have developed a production/ manufacturing culture dominated by these two domains of control.	To what extent these were governed by external pressures on the part of government policies?	Have they fully accommodated these policies or whether they have developed a felt culture for maintaining those controls?
How have these formal and informal types of control been developed over the years? Were they developed separately and differently or concurrently and collaboratively? How did the organisational form respond to this development?	What form of organisational control system so developed as a result? Is it a strong system that cannot be changed or whether it is fragile and flexible, open for external pressures?	How was the system of control changed or modified due to those external pressures? What are the kinds of response the system had?	How did they compromise into a pragmatic system of control that was acceptable to all parties and stakeholders involved?
What policies and strategies have been in place towards the operationalisation of these controls? How were these policies and strategies introduced and how were they	How were these implicated in the establishment of internal culture for these control processes and practices and how were they	How were these implicated in the responses to external demands? What were the dynamics in the process of this	What was the resultant mechanism of control? What aspects were to be changed as a result of the processes of

translated into a mechanism of controls for controlling employees and product quality?	changed or modified as a result of the responses to internal demands?	accommodation of external policies?	compromises or the processes of accommodation of external policies?
What challenges and issues have the system of controls faced? How were those challenges managed and issues addressed? How were the changing policies and strategies implicated in these efforts?	What was the normal pattern of responses on the part of internal mechanism/ culture that developed the system of control and how the issues were addressed based on this culture?	How were the external pressures considered or understood at the times of challenges and the instances of issues being developed? Were the external policies fully accommodated or part of them only be considered? How?	What was the nature of final compromise when the system faced changes and met with issues that needed addressed? What were the dynamics operating in this development and how did the system become established or fragile as a result?
What unintended consequences emerged when maintaining these controls? Were those consequences being solved properly or were there other issues/ problems being	How were these consequences implicated in the internal system of control and its established culture? Was it possible to make changes in	Were the external policies helpful in fixing these unintended problems or were the new policies developed as a	What was the dynamic in the development of the system with the emergence of these consequences and with the respective

developed in response to those solutions?	addressing these consequences?	result of such instances?	solutions to them?
---	--------------------------------	---------------------------	--------------------

The main thrust of this analysis was to explore how the management control system was sharpened by government policies with respect to a family-owned business in China. A similar aim was achieved by Berry et al (1985) as seen below.

Thus, it is likely that the accounting control systems will change considerably over the next few years in response to recession and changing governmental philosophy. Associated with the new discontinuities is an influence of head office in the management of the Area and increasing pressure to justify management decisions in the Area by means of economic appraisal and rationality. Finance has increasing confidence, status, and visibility in the Area; it seems to offer the means to legitimise action and it further provides a service in keeping with the increasingly articulated "business" philosophy (Berry et al, 1985, p.24).

The difference I noted was how the neo-liberal form of changes that occurred in the Chinese context could shape management controls in family businesses and how they could play a vital role in the continuation of those politico-economic changes. In doing so, the overall theoretical aim was to observe how ideological and economic themes are important in designing and re-designing management control systems. The same was articulated in Berry et al (1985), but only in the context of financial constraints faced by public enterprises in the UK which legitimised the importance of neo-liberal policies. Hence, my analysis is not only a continuation of the analytical tradition of Berry et al (1985) introduced (and followed by Efferin and Hopper 2007; Wickramasinghe and Hopper 2005; Wickramasinghe et al, 2004; Alawattage and Wickramasinghe, 2009; Hopper et al, 2012, 2017), but also a timely work for us to understand how management control systems are shaped by such wider social and political regulations. The way this happens in China is of immense significance in a context that the country is in the forefront as a leading producer of goods and services to the world.

## 4.7 Summary and conclusion

This chapter dealt with methodological aspects associated with the study of management controls in a family-owned business in China. It consisted of two segments, viz., determination of a research design and the conduct of the field study resulting in an amalgamation of data for analysis. The chapter argued for an interpretivist approach with an ethnographical research design followed by introducing the empirical site, the family-owned business in a city of manufacturing facilities. Collection of data carried out through five consecutive phases was documented at length. It commenced with the general and closed with identification of specific micro-level control processes. Observation and documentation review too were part of the data collection process which ultimately concluded with developing the detailed storyline. Data is now ready for analysis which will be the subject of the next Chapter.

## Chapter 5

### Government as an actor in controls

#### 5.1 Introduction

The previous chapters dealt with my theoretical position on the critical perspective and justified the use of Actor Network Theory (ANT) as a suitable choice from ontological and epistemological standpoints and the methodological standpoint I am taking. This theoretical and methodological approach has been followed in my fieldwork in China to understand how a management control system has become an acting network while a tension between government regulations and customer requirements was prevalent in the shaping of that management control system. As mentioned in Chapter 1, this tension led to an OPP which must be managed on a daily basis as is the nature of management controls in a family-owned business organisation.

In this chapter, I will engage in government and its regulations to see how these regulations can be regarded as a set of non-human actors involving in the development and the maintenance of an acting network within the organisation. I will elaborate how these non-human actors influence the construction of management controls. As will be shown in the chapter, when the managers exercise the power of control with the knowledge of these regulations, the management control system can be regarded as an acting network within the organisation.

The chapter is structured as follows. In the first phase of empirical analysis, I will show how the Chinese government evolved into the current state from which certain types of regulations were developed and imposed on private sector businesses like the family-owned business I studied. Second, I will elaborate on what these government regulations are and what kind of acts those regulations play in the construction of management controls in the organisation. Finally, this will proceed to an analysis of how they reflect on the firm's management controls in terms of the firm's reactions and development of control practices.

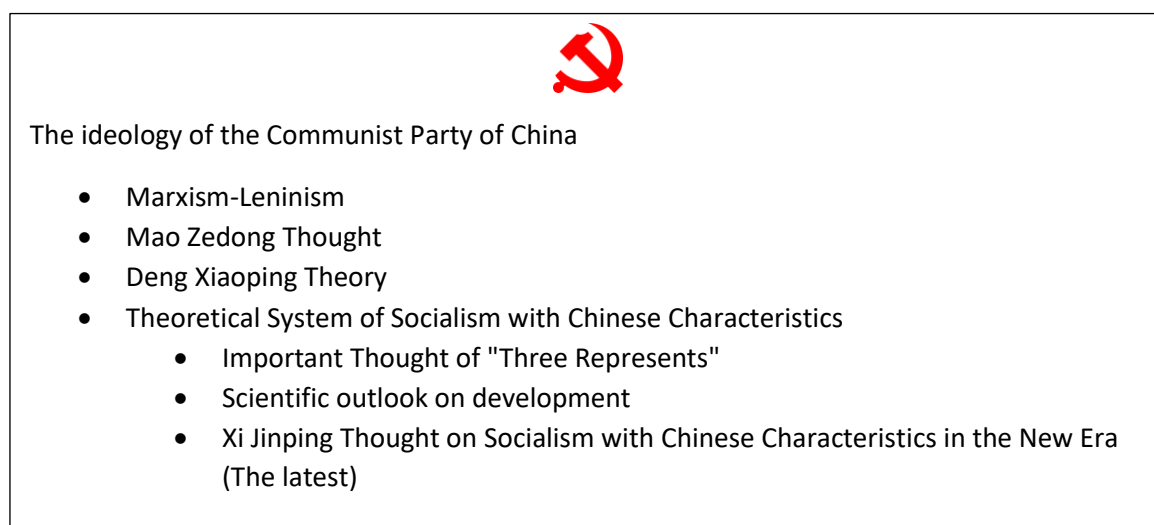
## 5.2 The historical context of government regulations in China

The purpose of this section is to elaborate on the broader context of the Chinese government. This understanding is important as it is this context by which government regulations are produced. As actors, the government itself and its regulations play a key role in inserting power of controls within individuals and individual organisations. Ultimately, a management control system in an organisation such as a family-run enterprise becomes a working network where these actors (i.e., government and its regulations) work together with other actors being networked within the system of organisational control. Hence, we need a better understanding of this context. We can start with a glance at the current situation in regard to the nature of the government and the ways in which regulations are produced.

Following Mao Zedong's death in 1976, China began to implement a new economic policy backed by Deng Xiaoping. Rather than relying on a national planning system and government-led monopolistic organisations, these reforms emphasised the importance of establishing a market economy. In this regard, in 1987, the Chinese Communist Party (CCP) recognised the need to encourage the private sector and introduced laws for establishing regulations for sole proprietorships, partnerships, and limited liability corporations in China which were never the case in its history. After almost 30 years, now, the private sector plays an increasingly important role. For example, it aids epidemic control as well as economic recovery and contributes over 60 percent of the Chinese GDP. Therefore, how the role of government plays and how it reflects the private sector is worth exploring. In this section, I will elaborate on the relationship between the development of private sector and government regulations in China to understand how those government regulations can influence networking efforts within management control systems (Pines, 2008). This development has an ideological foundation which I first discuss below.

The Chinese government has a peculiar ideological foundation. It is the ideology of the Communist Party of China based on Marxist-Leninist ideas developed by Mao Zedong which paved the path to a System of Socialism with Chinese Characteristics. In 2017, the current president of China, Xi Jinping, published this ideology as "Xi

Jinping Thought on Socialism with Chinese Characteristics for a New Era” which is summarised in Figure 5-1 below.



**Figure 0-1: The ideology of the Communist Party of China**

On top of this, Marxist-Leninist ideology plays a fundamental role in the functioning of the Chinese Communist Party. After the Marxist ideals of Karl Marx and Friedrich Engels became popular in the works of French Socialists in the late 1870s, it was regarded as a scientific thinking in the understanding of the Marxist political economy which promoted the ideas of scientific socialism. These components are not separated from each other; they form connected as a whole. It was argued that social and historical development can take place through a proletarian revolution leading to a society based on the principles of socialism and communism. Hence, political parties are formed to organise the working class towards this revolution. If this does not happen, as Marxists argue (e.g., Harvey, 2005), capital becomes dominant towards exploiting the working class for the purpose of continuous capital accumulation. As this is not socially and ethically acceptable, Marxists argue that, through a proletarian revolution, it is important to replace the capitalist system with a system of socialism which promotes equal distribution of values being created (Harvey, 2005).

After Vladimir Lenin first appeared at the Second Congress of the Russian Social Democratic Labour Party in 1903, Leninist ideas became popular, especially in neighbouring countries including China. Leninism promoted several theories such as the imperialist theory, the theories of proletarian revolution, the theories of

national colonies, the theories of the dictatorship of the proletariat, the theories of building socialism, and the theories of new proletarian parties. They were very much influential in the formation of Chinese politics and the system of government (Tsou, 1969; Pines, 2008).

Before embracing the Leninist ideas by China, it is worth noting an important historical context here. In 1900, the Eight Power Allies (i.e., the United Kingdom, the United States of America, the Third French Republic, the German Empire, the Russian Empire, the Japanese Empire, the Kingdom of Italy, and the Austro-Hungarian Empire) attacked the north of China and the Qing government signed the “Final Protocol for the Settlement of the Disturbances of 1900” (Ames, 1994). It accelerated the demise of the Qing Dynasty, strengthened imperialism’s comprehensive control, and the Qing government exercised imperialists control over China. Consequently, China became a half colonial and half feudal country with some significant consequences. For example, politically, Qing government lost the political and military control, as imperialist countries have divided their “spheres of influence” in many places in China. Economically, there was an impact. Imperialist countries began to control customs so that they basically controlled Chinese finance and allocated the indemnity to each provincial government allowing it to be allocated to every citizen. In addition, imperialist countries set up various factories in China, took control of the rights to build roads, 90% of mining industries and 40 % of railway lines. Now, foreign troops can be stationed in Beijing and other important areas while thousands of precious cultural relics and a number of historical materials were looted and robbed. Cultural heritage (Forbidden City, Summer Palace, Old Summer Palace etc) were stolen, destroyed and damaged (Ames, 1994).

This status quo continued until 1911. After the collapse of the Qing Dynasty in 1911, which lasted over 2000 years as a monarchy, the “Xinhai Revolution” (also known as Chinese revolution) happened which ended China’s last imperial dynasty and gained independence for all provinces. Then the Republic of China was established in 1912 and Beijing was named as the “Bei yang Government”. With this change, Chinese society was turbulent, and the ideas of freedom and democracy started to grow - it established some organisational capacities for an early revolution and challenged the oppression inserted by foreign powers. In 1921,



with the help of the Soviet Union, Mao Zedong and other 12 communist party groups who represented various places in China held the first national congress in Shanghai - this gave rise to the Chinese Communist Party. In 1928, the National Revolutionary Army won the war and began to control the Chinese society. In addition, there was the Chinese Nationalist Party (Pines, 2008).

The two parties had now initiated several transformative actions through four historical stages before the People's Republic of China was established in 1949. The first stage was the Northern Expedition (1926-1928) which was led by the Chinese Nationalist party and by Jiang Jie Shi. This attempt launched troops at places like Guangdong, Changsha, Wuhan, Nanjing, and Shanghai. Due to the differences in attitudes developed, the national government broke from the Chinese Communist Party, a war continued in the north of China to conquer Beijing and the northeast of China in 1928. This developed a sense of formal unity in those areas.

The second stage was the Agrarian Revolutionary War (1928-1937). It was led by the Communist Party of China and operated against the Chinese Nationalist Party. The aim was to abolish the feudal land system and to establish the power of workers and the peasant class. It was an important stage for the Communist Party of China to lead the new democratic revolution which gradually shifted the focus of the party's work from cities to rural areas. This also established the base areas in the countryside, carried out the agrarian revolution, and created a new path to the Chinese revolution in which the countryside was encircled in terms of creating cities and seizing the power of armed forces.

The third stage was the war of resistance against Japan (1937-1945) during a period of 14 years. It was also called the Second Sino-Japanese War (internationally) or Japanese War of Aggression against China. In 1931, The Japanese attacked Shenyang, due to the non-resistance of the authorities. Following this, Japanese quickly occupied northeast China and established the State of Manchuria. In 1932, the Japanese attacked Shanghai, the first time a confrontation and contest between the Chinese and Japanese armies. In 1937, the Japanese army provoked the Lugou Bridge incident near Beijing, the war between China and Japan broke out. In 1941, after Japan launched the Pacific War, the national government in Chongqing declared war with Japanese. In 1945, Japan

unconditionally surrendered to the allied powers. During 1937-1946, the second time Communist Party of China and Chinese Nationalist Party cooperation, set up an anti-Japanese national united front. This was the first national liberation war which China won a complete victory against foreign invasions in modern times.

The final stage was war of liberation (1945-1949). Chinese people's liberation army under the leadership of the Communist Party of China fought a war to overthrow the rule of Chinese Nationalist Party and liberate the whole China. It was a decisive battle concerning the future and destiny of China. As shown in Picture 1, this was a classical collaboration between Jiang Jie Shi (left side) and Mao Zedong (right side). The photo was taken in 1945 at Chongqing after 43 days of negotiations through which the Chinese national party recognized the status of the communist party of China. The communist party of China was committed to political views towards the peaceful construction of a new China. This promoted the development of the national peaceful democratic movement.



**Picture 1: *The famous, classical joint photo of Jiang Jie Shi (Left side) And Mao Zedong (right side) taken in 1945***

In 1948, the Chinese Nationalist Party failed in the 8-year-old Chinese Civil War and Jiang Jie Shi moved from mainland China to Taiwan with their important party members, talents, foreign exchange reserves of gold and silver, antiques from the Forbidden City and other important documents. After Jiang moved to Taiwan, the whole Taiwan was closed, restricted entry and exit, imposed military control, blocked news from the mainland China, and strictly prohibited speech, publications, strikes, demonstrations, and other activities. Later, Taiwan received support from foreign countries such as the United States and Japan, including billions of dollars to be used in economy and military support, implementation of policies, and industrial transfers. In 1960s, Taiwan's economy has entered a period of rapid development. Until 1979, the Standing Committee of the National People's Congress issued a "Message to Compatriots in Taiwan", announcing the policy of peaceful reunification of the motherland. At the same time, the mainland China stopped shelling the islands of Kinmen (Strait of Taiwan), which meant real ceasefire between mainland China and Taiwan. In 1987, the Taiwan authorities allowed Taiwan compatriots to visit relatives in mainland China. Since 1993, the mainland China has become the first preferred region for Taiwan business investment. In 2008, direct shipping, air transportation and direct postal services were fully launched between Taiwan and mainland China (Tsou, 1969).

I politely asked my office mate (she is Taiwanese), why Taiwan sees itself as an independent country and why Taiwan independence movement happened. Interestingly, she told me in Taiwan education history books, the Taiwan government taught them that Taiwan is an independent country. But I came from mainland China, in my history books, it has always claimed "Tai Wan is part of China" and this was the first time I heard a different version of history as my party (Communist Party of China) never told us this. Until today, the Chinese TV shows continually produce and broadcast new TV series every year about the War of Resistance against Japan, the war between Chinese Nationalist Party and communist party of China. My grandfather was watching those TV shows every day during dinner time since I was a kid. It subconsciously reminded me about the war.

After the break with Taiwan, and with the New Democratic Revolution (1919-1949), the People's Republic of China (PRC) was established in 1949. Mao called it "New China", before it was called the Republic of China. This historical juncture ended

the humiliating history with invasions and slaveries that occurred over 100 years leading the country to be a truly and fully independent country. At this historical turning point, Marxism was the country's political ideology as the Communist Party of China had adapted Marxism-Leninism according to Chinese conditions. The philosophical difference between Marxism-Leninism and Maoism is that it emphasised on peasantry (agricultural) which hailed from pre-industrial societies rather than the industrial proletariat.

The Mao Zedong Thoughts started in the 1920s and gradually matured in 1956. But from 1966-1976, Mao Zedong has launched the Cultural Revolution which aimed to prevent the restoration of capitalism, to maintain the purity of the Communist Party of China, and to seek China's own road map towards establishing socialism. Regarding the cultural revolution, there is little discussions in my history and other textbooks - only 2-3 sentences which describes what happened. Also, there are no films, TV shows, or memoirs to remake or recall what happened in this regard.

The Mao Zedong Thought contributed in various ways. First, it created the theory of the new democratic revolution led by the proletariat, based on the alliance of workers, peasants, and the people against imperialism, feudalism, and bureaucratic capitalism. This let Chinese to correctly understand the various classes in the Chinese society, especially bourgeoisies and the implications of the Chinese revolution. Second, there is a policy of simultaneous development of socialist industrialisation and socialist transformations, which transformed the private ownership. In addition, Mao promoted a series of current thoughts and policies with strategic significance leading to the ideas of how to handle the relationship between heavy industry, agriculture, and light industry as China is a large agricultural country. This allowed the country to find a way to establish a national form of industrialisation that suited Chinese its national conditions. Third, there was a strategy on the construction of the revolutionary army and military strategy. This entailed, for example, serving the Chinese people wholeheartedly as the only purpose of the People's Army. It stipulated the principles that the party leads the gun rather than the gun leads the party to implement three major democracies of politics, economy, and military. Fourth, policies and strategies were emphasised. In this regard, Mao demonstrated the importance of policies and strategies in the revolutionary struggle and many other important polices.

### 5.3 Deng Xiaoping Theory (1978-1997)

The above historical and ideological foundation made a path to the development of government and its regulations through the current regime which was developed after Deng Xiaoping. This development began in 1978 when the Western world was moving into a neo-liberal, open economic policy after the political and economic changes made by the British prime minister, Mrs. Margaret Thatcher, who came to power in 1979 (Harvey, 2005). Following this movement and, as the same began to happen in the US with the leadership of then President Ronald Reagan, China realised that there is a new world coming up so that China needs a massive reform (Naughton, 1993).

Deng Xiaoping's Theory was proposed after the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party in 1978 (Naughton, 1993; Ames, 2008). It was brought into the party constitution in 1997 which became one of the guiding ideologies of the Communist Party of China. This development occurred in four stages. First, from 1978 to 1982, a fundamental proposition was promoted. It was based on the slogan that "building socialism with Chinese characteristics". This led to an economic reform towards opening of China to the world. Before this reform came into being, the Chinese economy was dominated by state ownership and central planning. This domination was subject to self-criticism among the communist party leaders along with the importance of giving prominence to the private sector and market-based reforms. These changes took place within a period of four years as the central planning, and the emphasis on public ownership was heavily established in the minds of people in general and in the culture of economic practices, in particular. As the rest of the world also went into a market-based direction, China thought that it is time to make these changes to be globally competitive.

In the second stage (1982-1987), Deng Xiaoping proposed to shift the focus from the Communist Party which aimed to promote socialism to a focus on an understanding of national conditions in China to determine how to establish economic construction. Rather than doing management on a daily basis, he began to develop a long-term national policy that can make this shift effective. Taking this period from 1982 to 1987, this policy development became accepted. This

was a historical change towards focusing on the economic construction under the guidance of the market rather than the political ideology.

In the third stage (1987-1992), the economic theory became mature and established. During this time, several initiatives were taken, especially to establish special economic zones. As part of this, the Hainan Special Economic Zone - the largest special economic zone in China - was established in 1988. This drew the attention of investors who wanted to invest in large industries for export purposes. Moreover, as the focus now was on the long-term strategy of economic development, the Chinese government decided to open up Shanghai Pudong as a new economic zone. Later, in 1992, Deng Xiaoping encouraged the people in south of China to consider investing in multiple businesses to produce to the entire world. As a result, China became *the factory of the world*.

In the final stage (1992-1997), Deng Xiaoping's Theory emphasised that the essence of socialism is to liberate the productive forces, enhance economic production, develop and eliminate exploitation, polarisation, and, in turn, to achieve prosperity for all. The underlying proposition here was that the working class is the core of the leadership of socialism. On the issues of the unification of the motherland, Deng proposed "one country, two systems" in order to clarify the nature of the governance of Hong Kong and Macau, as they became Special Administrative Regions of China in 1997 and 1999, respectively. This unification emphasised the geographical alignment while the whole system was governed by a market system aiming at enhancing socialism which was a unique establishment compared to other post-socialist countries such as Russia (Naughton, 1993).

#### **5.4 Towards a New Era (2017 to-date)**

Xi Jinping is a leader in the fifth (current) generation of Chinese leadership (Brown, 2016). His leadership was influential not only to continue what the previous leaders established, but also to make China the world production powerhouse. To embark on his tenure, firstly, he reflected on the new achievements at the 19th National Congress of the Communist Party of China in 2017. The contents covered a series of important aspects, namely, economic development, politics, laws and regulations, science and technology, culture, education, people's livelihood,

ethnicity, religion, society, national security, national defence, military, and the like. As this was a comprehensive declaration, it was summarised as “eight clears” and “fourteen persistence” in order to build a prosperous society in two steps. He urged that he wanted to build a prosperous, democratic, civilised, and modern socialist country by the middle of this century. He made it clear that the main contradiction in Chinese Society is the contradiction between the people’s growing need for a better life and the unbalanced and insufficient development in the economy. He emphasised that there is a need to build a socialist legal system with Chinese characteristics to be ruled by law and regulations. He insisted on putting Chinese people at the centre while the party exercises a leadership for everybody to work harmoniously between humans and the nature. Unlike the two previous presidents, these thoughts of Xi Jinping’s were written and added to the party constitution which means that his ideas are not only economic thoughts but also policy initiatives embedded in the political system in China.

As a qualitative researcher, I can echo this development. I joined the Communist Party of China when I was 19 years old and wrote ideological reports to the party twice a year. I stopped writing these as the PhD became my priority. Nevertheless, following the ideas of Xi Jinping, I now have the feeling that many changes have occurred in China. Government departments have changed their procedures by making them simpler for citizens to follow easily and quickly. For example, the government set up branches to apply for passports and ID cards in each town. Previously, my family had to drive 40 mins to the city for these purposes but now only a 5 minutes-drive. Under “Real-name ticketing system”, ID cards can now be used as an entry and exit ticket on the train station. When one is purchasing the ticket, the train details (train number, departing time, seats numbers) will be sent to you on the phone for you to register with the purchasing system. In this way, there is a paperless ticketing system which also protects the environment and keeps train stations clean. If one needs a receipt, they can use a self-service machine to print it. Moreover, the public security department also can track passengers on train. As it has been reported that, in China, citizens’ credit worthiness is poor (as was judged by the court), anyone cannot take a train or a flight without this electronic scrutiny. Recently, the system helped track close contacts during the outbreak of the recent pandemic which increased social safety and stability. “Mobile phone identification policy” is also connected to this - when

one buys a sim card, he/she is supposed to use the ID card to buy maximum five sim cards. This aimed to reduce telemarketing scams. However, from various corners, some argue that these changes have violated people's privacy and internet freedom as the government access a large number of personal chats, stored data, voice communications, emails, etc. These changes have implications for how people must do businesses in China. In the next section, I will elaborate the legal environment which has been developed for this purpose.

## **5.5 Regulations for businesses**

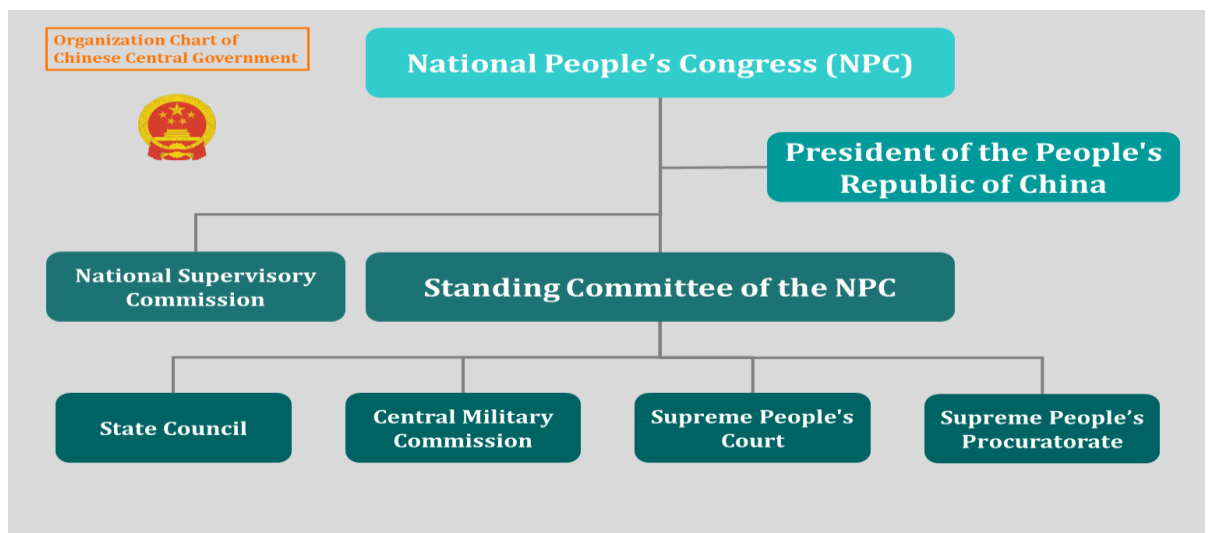
The context I have outlined above is more about history, politics, and leadership styles through which China became a factory for the entire world. Management controls within individual organisations are the product of this environment. In doing an interpretive study of management control, an understanding of this context is important as accounting is considered to be functioning and changing through an interplay with this context (Wickramasinghe and Alawattage, 2007). One of the directions I must now take is understanding and analysing the nature of government regulations to see how those regulations have shaped management controls in a family-owned business in China.

As early contingency theorists argued, management control systems are invariably contingent upon the environment in which the organisation must interact with (Gordon and Miller, 1976; Otley, 1980). In the case of Chinese political and economic context I outlined before, there is a legal environment from which a variety of regulations, impositions, and directions are produced which can be considered as non-human actors in the shaping and functioning of a management control system. In this section, I will illustrate this legal environment and those elements. As will be shown, in China, a business operates under government controls through a hierarchy of the Chinese legal system, the Court System of China, respective government authorities, key legal promulgations, international treaties and the like which shape the nature of management controls in individual enterprises.

First, these regulations needed state authority which is governed by the constitution and the central government's leadership. At the central level, the



top authority is National People’s Congress. According to the constitution, the president of China, the vice president, the chairman of the Central Military Commission, the president of the Supreme People’s Court, and the chief procurator of the Supreme People’s Procuratorate are all elected by the National People’s Congress. The Premier of the State Council and other members of the State Council and other members of the Central Military Commission are appointed by the National People’s Congress. At the same time, the National People’s Congress (NPC) has the right to remove the above-mentioned person. (See Figure 5-2: the state authority in China).



**Figure 0-2: The state authority in China. Resource: Deep China (2020).**

Below the NPC, there is a standing committee of the NPC which supervises the daily operations of State Council, Central Military Commission, Supreme People’s Court, and Supreme People’s Procuratorate. The State Council is the highest national administrative agency, the executive authority of the NPC. It is under the supervision of NPC, being responsible for reporting to the government. When the NPC is not in a session, the State Council reports to the government and be responsible for the procedures at the standing committee of the NPC. The Chairman of the Central Military Commission is responsible for the overall operations of the National People’s Congress and the Standing Committee of the National People’s Congress. The Supreme Court and the Supreme Procuratorate are responsible for and are to report to the National People’s Congress. In addition,

the controls are exercised from Central level to provincial levels, then to prefectural levels, next to county levels, and finally to township levels. Understanding this arrangement is crucial since all regulations, impositions, and directions for any enterprise come from these sources.

The second source comes from the hierarchy of the Chinese legal system (Liang, 2007). As shown in Figure 5-3, it includes the constitution, law, administrative regulations, judicial interpretation, and enacting authority, ranking by the effectiveness levels from high to low. The top level is the constitution, formulated by the National People’s Congress (NPC) which operates as the primary source for all other laws and regulations. The other associated laws are formulated by the NPC and its standing committee. Normally, the NPC formulated the basic laws, and the standing committee formulated general laws. Below the laws are judicial interpretations and administrative regulations. For administrative regulations, the State Council (e.g., central government) formulated administrative regulations. The departments directly under the State Council formulated departmental regulations covering national matters that fall within their functions and powers. Local laws and regulations are formulated by the Provincial People’s Congress and its Standing Committee, covering the areas under its jurisdiction. For Judicial interpretations, they are formulated by the Supreme People’s Court (SPC) and the Supreme People’s Procuratorate (SPP). Below SPP are military regulations which are formulated by the Central Military Commission (CMC).



**Figure 0-3: The hierarchy of legislation in China. Resource: China Justice Observer (2020)**

Moreover, the Supreme People's Court is the highest judicial authority of the People's Republic of China. Below this are High People's Courts, the Intermediate People's Courts, and the Basic People's Courts, ranking from high to low in terms of the power they hold. All the law firms have partnerships with individual firms including foreign law firms. Alongside the court system, the Ministry of Commerce, Bureau of Administration on Industries and Commerce, Finance Bureau, Tax Department, and others are the main government authorities. These authorities have the executive power to implement various laws such as Foreign Investment Law, Civil and Commercial Law, Intellectual Property Law, Contract Law, Company Law, Criminal Law, Administrative Law, Consumer Protection Law, Anti-Unfair Competition Law, Anti-Monopoly Law, Environment Protection Law, Foreign Trade Law, Procedure Law, Arbitration Law, and the like.

I have found that these laws are the key laws relevant to doing business in China. Most of them were developed after Deng Xiaoping's reforms which gave rise to an open economic policy since 1978, but they were rapidly developed and amended after 1992 with the establishment of a socialist market economic system. Later, the Chinese state-owned enterprises have successfully established a modern enterprise system allowing them to follow private sector management practices (Lin and Germain, 2003). Under these changes, they transformed their practices in the areas of organisational structure, context, customer orientation, and performance measures. Moreover, in international trade, China joined the World Trade Organisation (WTO), General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services (GATS), Tourism Investment Agreement, International Centre for Settlement of Investment Disputes (ICSID), World Bank Group, Tax Treaty Alon and embarked on a huge programme for 'going global' (Alon et al, 2014).

The above regulatory environment and the laws and regulations are applicable to all enterprises - be they publicly owned or family-run. The general manager of the company I studied emphasised this:

*“Doing business and investment in China must follow the party, follow the Communist Party of China policies. The private enterprises are developed by policy and have a natural dependence on policies. Enterprises only operate in*

*accordance with the law, and they can be effectively protected by law. Otherwise, it will be sanctioned by law”.*

This means that government regulations act as a forceful and demanding actor that shapes the nature of management control systems of individual organisations. We shall look at some recently introduced changes that are directly relevant to private sector organisations as I found these changes have been very active in forming acting network within private sector organisations.

## **5.6 Recent changes relevant to private sector organisations**

As the economy opened in 1978, the private sector became the engine of the economy with a heavy focus on globalisation of the market for Chinese products (Alon et al, 2014). There are three important initiatives which have affected the rise of China’s private sector businesses which are mostly family-owned ones. First is the formulation and development of the state policy which stimulated the expansion of business enterprises. At the beginning of the economic reform, there was no legal framework for private enterprises because all policies were relevant to protecting the environment from non-agricultural businesses. However, the National People’s Congress authorised private corporations in 1987. Family businesses took the advantage of this opportunity and ventured into the businesses in areas such as retails, catering, and construction industries but manufacturing sector was growing slowly at the beginning. This was because the state-owned enterprises still handled most of the economy.

Second, there emerged a new entrepreneurial class who saw a positive relationship between efficiency and productivity which drove the rise of the private firms (Liang et al, 2014). This means the private firms on average generated much higher return on assets to the size of the assets they controlled and had larger retained earnings. These earnings can be reinvested in expansions and diversifications so that these firms grew faster than state firms since 1987. I was told by the general manager that the data on developments were published through the media which motivates local entrepreneurs in the country. As China had already devised a suitable framework for going global by linking it to global organisations such as WTO, marketing the products in the global marketplace was

not an issue. Again, these arrangements were made through the establishment of a suitable regulatory framework which not only protected the private enterprises but also guaranteed a lucrative business future.

Third, the past few decades witnessed an increase in the commercialisation of the Financial Sector in China (Ron, 2009). In the 1990s, the financial system was dominated by four large state-owned banks that lent predominantly to state-owned companies. State-owned companies accounted for almost 60 per cent of outstanding loans, then it dropped to 30 per cent by the end of 2012. Later, it was found that there was an increasing share of corporate loans due to private enterprises. This meant that private enterprises were regarded as highly creditworthy compared to state firms. There has been reports which highlighted a higher ratio of firms' earnings before taxes and interest (Ron, 2009). Such positive development was due to the state policy which played a bigger role in the development of the private sector.

I must emphasise one important issue here. The corporate legislation in China has gone through a very chaotic process at the beginning of the reforms. It had gradually developed with two clear legislative tracks. As shown in Table 5-1, the first was to classify and legislate according to the nature of corporate ownership. This included the Comprehensive Ownership Industrial Enterprise Law (1988), Regulations on Rural Collective Ownership Enterprises (1990), Regulations on Urban Collective Ownership Enterprises (1991), Interim Regulations on Private Enterprises (1988), Law on Sino-Foreign Joint Venture Enterprises (1979), Foreign Investment Enterprise Law (1986), and Law on Chinese-Foreign Cooperative Enterprises (1988). These laws were formulated before the establishment of a market economy system in China. Although they are still effective, their scope and the effectiveness of application have gradually declined. The second is to classify and legislate separately according to the form of enterprise organisation and investor responsibility, namely, Company Law (1993), Partnership Enterprise Law (1997), and Sole Proprietorship Enterprise Law (1999). With the deepening of the economic reforms that took place in the last few decades and the improvement of the understanding of corporate legal functions, these laws are being constantly revised and improved. Altogether, all these developments in the regulation arena had a clear motivation and a guarantee for the economic

development and the prosperity of each enterprise. It happened as these laws and regulations appeared as actors in individual organisations for them to develop their own management control systems. In the next section, I will explore how this was materialised.

**Table 5-1: The major laws affecting private sector businesses in China**

The first time issued	The Name of Law	Main Purpose
1982	Trademark Law	Protection of trademark exclusive rights
1987	CCP Recognition of the Need for a Private Sector.	Private corporations authorised
1988	Regulations for Private Corporations	Only allowed private sole proprietorships
1993	Company Law	Allowed the formation of various types of shareholding companies (e.g.: limited liability companies and shareholding limited companies) However, single person limited liability firms were not legal until 2006. Was amended in 1999, 2004, 2005, 2013, 201
1993	Product Quality Law	Clarity product quality responsibility
1993	Consumer Protection Law	Protect the legitimate rights and interests of consumers

1995	Anti-Unfair Competition Law	Encourage and protect fair competition and stop unfair competition
1995	Food Hygiene Law	Ensure food hygiene, prevent food pollution and harmful factors from harming the human
1995	Advertising Law	Protect the legitimate rights and interests of consumers and promote the healthy development of the advertising industry
1995	Labour Law	
1997	Partnership Enterprise Law	
1999	Registration of Sole Proprietorship Enterprises	
1993	Contract Law	Protect the legal rights of the parties to the contract
2002	Work Safety Law	Strengthen production safety work, prevent and reduce production safety accidents
2005	Import and Export Commodity Inspection Regulations	National Import and Export Commodity Inspection
2007	Corporate Income Tax Law	The standard rate of corporate income tax is 25%

		Small micro-profit enterprises: the total assets less than 50 million (RMB), less than 300 employee enterprises, annual taxable income less than 3 million (RMB) income tax rate in 20%
2007	Labour Contract Law; Employee Promotion Act; Labour Dispute Mediation and Arbitration Law; Regulations on paid annual leave for employees.	
2014	Environmental Protection Law	Was issued in 1989, second time amend in 2014

## 5.7 Internalising the ideologies in Management controls

The development of laws and regulations was a new initiative in China. It heavily influenced the country's industrial policy, in particular, and the economic policy, in general. The aim was to boost the economic prosperity in the country through accelerating production for the global market. Hence, the development of laws and regulations meant the formation and development of industries in order to achieve certain economic and social goals through state intervention. It is formulated by the state to guide the direction of national industrial development, promote, and coordinate the upgrading of industrial structure in order to achieve a healthy and sustainable development of the national economy. There were many ways to achieve the project including the formulation of national economic plans, restructuring those plans as was needed, and supporting the plans through motivation for financial investments.

One important matter must be emphasised here. In capitalist countries, the industrial policies are implemented with the command of the market which animates the supply side according to the demand side. However, in a socialist country like China, such policies are materialised through the macroeconomic



controls by the government. The tools used for this purpose are the laws and regulations which are non-human actors in an acting network which constitutes management control systems in individual firms. Hence, the impact of rules and regulations, as being evident below, on the construction of management controls are materialised due to the gravity of the political ideology. In other words, the political ideology had provided a fundamental macro basis for the functioning of micro practices through the enactment of the political ideology. The owner elaborated this as follows:

*“The country’s leaders and their political ideas are very effective. This is because laws cannot be implemented otherwise. We don’t need to educate our workers about the importance of the laws. They know the history. They respect it. They understand the importance of them. So, we don’t need to take extra actions to educate them. So, labourers and other managers are naturally controlled. This would be a bonus for us. The bonus of our history.*

Hence, the details of the laws and regulations below and their implementation strategy into the construction of a system of management controls must be understood in relation to this ideological connection and their psychological impact. For illustrative purposes, the following laws and regulations are considered which enables one to understand their implications for management controls.

### ***Corporate income tax***

In the taxation system, the central government, according to the principle of combining administrative power and financial power, divide taxes into three types: central taxes, local taxes, and central and local shared taxes. Before 2007, according to the corporate income tax, the average actual tax burden of domestic-funded enterprises and foreign-funded enterprises account for 25% and 15% respectively. Domestic funded enterprises have 10% higher than foreign companies. After 2007, to achieve fair competition and to unify corporate tax treatment, the new "Corporate Income Tax Law" was issued where the corporate income tax rate is uniformly set at 25%, and the domestic and foreign funded companies pay the same tax rate.

However, there are issues of the corporate income tax law. First, most of the micro and low-profit enterprises face the difficulty of storage of funds, compared with small and medium-sized enterprises. Small and low-profit enterprise loans have a higher risk of costs and credit costs, and commercial banks are generally reluctant to intervene in such businesses. Second, the development space of small and low-profit enterprises is largely restricted because the difficulties, pressure from external living environment such as increased rental costs, industry management, regulations and restrictions, the low education level of the practitioner, weak management capabilities, and a lack of operation places. Third, lack of support from government and community. The only connection between micro and low profit business and government is tax or registration process. Due to the poor performance from self-run associations and loose connection with their communities, most self-employed businesses still find it difficult to get what they need. Last, lack of necessary social security for practitioners. For example, most of the practitioners of small and low profit enterprises do not have social insurance, and if they do, they have to pay by themselves. This has become one of the biggest concerns in small and low profit enterprises. In this way, tax law acts in the acting network of individual firms. This was elaborated by the finance manager:

*“In 2018, the government reformed the national taxation and the local tax collection and management system, and merged the national and local tax agencies. To be more specific, it means the provincial level and sub-provincial national taxation and local agencies combined into one system, to be responsible for all kinds of taxes, including non-tax revenue collection, management, and other duties. After the merger of the national taxation and local taxation agencies, it became a dual leadership management system, mainly implemented by the State Administration of Taxation and the provincial government.”*

According to his interpretation, taxation is an unavoidable factor that shaped the management controls in relation to a number of other factors. The finance manager continued:

*“Moreover, this reform has many impacts in different ways such as, taxation agencies, taxpayers, management control, and corporate taxation. Some reasons for this reform are: first, due to the technology at that time, it was*

*difficult for central government to effectively supervise the tax collection from the local authority. But today it's different, the tax system is almost complete, technology can well support and ensure the development of taxation work after the merger of national and local tax."*

It was interesting to see that these were effectively impacted upon the internal control systems as he observed how that was implicated in the reduction of administrative functions within the department. He emphasised:

*"Second, the merger of national and local tax has reduced the cost of tax collection and administration. It reduced the administrative overlapping functions of different departments, improved efficiency, and saved management costs. Third, the new tax system saved lots of unnecessary expense. It used around 8,000,000 employees, office space, other corresponding configurations etc., where the cost and investment were really large. For the business taxpayers, they have to pay national tax and local tax separately, which increased the communication and coordination, and the unnecessary burden of paying tax is reduced. So, the merger of the tax collection has saved money and time and taxpayers' energy. Before merging the national and local tax, the two-tax principles and standards were different, it was possibly a double taxation. So, it avoided double taxation and maintained the authority of the tax law. In addition, the central government have adopted "merger tax" model in Shanghai, and the results showed lower cost on collection and management for government, lower cost for enterprises to pay tax, and also, the cost is lower than other provinces. Based on the success sample of Shanghai, the central government implemented the merger of the tax collection."*

Moreover, these developments shaped the regular activities of the finance department and the finance managers. They did not take this as a burden. Instead, being loyal to government regulations, they saw this development as a positive impact on management controls. The finance manager explained this to me:

*"The impact for the enterprise in terms of management control and accounting is high. I do not have to run back between government tax department and office every month. It avoided the repetitive expenditures,*

*reduce the cost on enterprise, management control and work efficiency has increased. Earlier, for every big festival in China, I had to talk to general manager to send money and gifts to local taxation officer, as they control the blank value added tax invoice (Special), they have the power and decided how many invoices the company could receive every month. This situation was the same in the rest of provincial taxation offices as well. The process of receiving payment from customer is, customer gives us order, we prepare and deliver the products, then receive the confirmed positive feedback about delivery and order quality. If customer's feedback is negative, we offer exchange or alternative method. Then fill up the blank invoice from local taxation office, send back to customer, and after a period, received the bank transfer from customer. But now, the local taxation office in town is closed, combined three neighbouring towns and local offices into one. If the company wants blank value added tax invoice, apply for how many we want in the system, it can be chosen to deliver or pick up, no need for permission from local taxation officers.”*

Incidentally, this was a learning curve for the management. They were grappling with the new laws and also dealing with the tax agency with the new development of processes and technologies which shaped the nature of internal management control system in the firm. Another manager commented on this development:

*“The relevant information of the enterprise is shared with the tax agency, and the tax agency monitoring platform can grasp the relevant financial information of the enterprises. It reduced tax evasion and increased enterprise compliance and steady development. But other financial staff and I had to learn the new system and familiarise with the tax policies and relevant management system to handle related accounts, avoid mistakes, or illegal situations.”*

Such positive effects cannot be considered as a complete end of the story. There were instances where managers have to take risks in dealing with these regulations and procedures. For example, if the company failed to comply with any of these regulations, there is no way of avoiding any consequences. A manager highlighted such an instance:

*“... there are also some negative sides about enterprises. Even if the payment cost is reduced and efficiency increased, at the same time, the company risks have increased. If the company failed to pay tax, the government will freeze the bank account and compulsorily deduct the payment. The company must communicate with the relevant taxation department first. I must understand the new related policies and adjust financial management of the company, to protect the interests of the enterprise, minimise tax risks, and enjoy better tax discounts. The central government reduced value-added tax rate from 16% to 13%. It was good for the company at the beginning. But after one month, the customer requires to reduce 3% price of item. We had negotiations with the customer, but finally have to agree. It Increased competitiveness in the industry, which means we have to work harder to achieve profitability.”*

### ***Labour and social security laws***

While tax laws were hugely and directly influential in the functioning of everyday management control practices, labour issues were unavoidable in China. From 1995, there were a number of labour dispute cases in China, which have increased by 13.5 times, and collective labour disputes also increased significantly (Lowe, 1933). In order to combat this issue, the Chinese government announced the concept of building a harmonious socialist society in 2006, and then has particularly strengthened legislation on labour relations and social security relations which have also been influential in the shaping of management controls systems as labour issues and the labour process are a central element in a management control system (Hopper et al, 1987).

In this regard, several laws were formulated and introduced. These included Labour Contract Law (2007), Employee Promotion Act (2007), Labour Dispute Mediation, Arbitration Law (2007), Regulations on Paid Annual Leave for Employees (2007), and Labour Contract Law Implementation Regulations (2008). These laws provide a systemic and reasonable legal basis to resolve labour disputes. After the Labour Contract Law was promulgated one year later in 2008, the number of labour dispute cases filed increased by 98%, involving 1.214 million workers. Courts at all levels across the country accepted 286,000 labour dispute

cases, increased 93.93% compared 2007 (Murphy, 2008). This development was observed by a manager of the company:

*“The newly amended labour law is great for state-owned enterprises, and large and medium enterprises. But maybe not that great for small and micro enterprises, as it increased labour cost. One of the major changes about the new labour law is that if a company does not sign a labour contract, it will face severe penalties. Earlier, labour laws had serious issues; a worker does not need to sign the labour contract and do not need ID card to prove their identify. But now, the workers have to sign labour contracts, even in the three months’ probation period. He also has to bring the required documents, such as ID card. In big cities, it also requires reference from previous employers.”*

However, the development of the need for compliances and management control systems were faced with a risk that has to be managed. The HR manager continued:

*“In the employee contract, it encourages the signing of long-term contracts rather than short-term ones. It also includes the requirements and rights for the termination of labour contracts. If the company terminates the labour contact, the enterprise bear greater responsibility and need to compensate workers, but not if the employee chooses to terminate the contract according to his own decision. If an employee violates the labour contract and refuses to participate in the training, he can resign before the labour contract expires. In both cases, it requires penalties for paying liquidated damages. So, the labour law protects more of labourer’s rights, but it has affected management control as it has increased management risk and management costs.”*

In order to maintain the compliance and to reduce the risk of being developed, the company now has to undertake training programmes for the workers. A manager described the way they handle this:

*“In addition, new labour law requires the company to provide training to employees. In this company, there are three-day training courses. For example: Introduce the role of position, learn company employees’ regulations, safety issues etc. The company has to pay the special training fee (the liquidated damages should not be higher than training costs). So the new*

*labour law increased human resources costs and investment, and training costs”.*

Moreover, another aspect of management control is shaped by this law. That is the element of performance measurement. Normally, performance measurement is linked to the manager’s ability to punish the workers on the basis of poor performance. But this cannot be possible under these new laws. The HR manager highlighted this impossibility:

*“Another change about the new labour law is the process of terminating the labour contract. Before, based on performance appraisal, the company could dismiss or adjust the employee if the work performance is poor. But now, the new labour laws clearly stipulate that if the company wants to terminate the labour contract with the employee, it has to negotiate with the employee and reach an agreement. If only the enterprise wants to terminate the contract with worker, it requires to prove or certify, to prove after training and adjustment, that the employee still cannot handle the job. It has affected the management control in company, making the company put forward higher requirements for performance management, improve their performance appraisal system, and adjust the work of employee.”*

In addition, salary payment cannot be made at the discretion of the manager. Instead, this must be negotiated while making decisions according to established norms in the industry. In this way, management controls, which are also depended upon how workers are paid and valued, cannot be maintained at the discretion of the business owner or a senior manager. A manager described this:

*“Salary has always been a big concern to the employee and company. But, with the salary level adopted between the general industry environment changes, it is difficult for us to clarify the salary with a long-term contract. For example, the salary of a welder at the beginning is based on working hours, however later, the company changed payment strategy, paying the salary based on workload. The general manager and I had negotiated for one month with every worker to discuss the salary. So, the new labour law has affected the company make plans and management control to be more scientific and cautious. In salary management, it pushes the company to make reasonable*

*prediction and plans for future salary levels to avoid the company lose more money and at the same time consider employee benefits.”*

More generally, labour laws act directly and hugely on a daily basis making the managers' jobs more difficult. Whatever they decide on the part of the workers, managers must continuously pay attention to the relevant labour laws. If this was not the case, the managers have to be accountable to government authorities. This general tendency was described by the HR manager as follows:

*“I think the new labour law has a significant impact on company management control system. For me, I spend lots of time to interpret and understand the new labour law, then to explain to the general manager. It provides full security and guarantee the rights of workers and require so much discussion and consultation to determine important issues in human resource management. The management control system also should be rationalised and improved following the implementation of the labour law. Standardise the recruitment process, protect and care about the interest of workers, specifically the salary and employee benefits, and be fair and open. The company improved the incentive scheme to support and encourage the employee. It also improved performance appraisal to be more scientific and reasonable. For instance, we analysed the costs, profit and other financial numbers and had a comprehensive summary, stored the file record, and compared the previous year's performance for future use. We hired a professional training group and provided employees with more training opportunities. Combined with performance appraisal, we promoted outstanding employees under reasonable circumstances. Helped the employees who had problems. Made sure they are being supervised in time. And last, I would like to mention that adjusting and implementing management systems must follow the labour laws and related government regulations. If there is a conflict, we avoid causing losses, seek for advice immediately, and modify it to protect the development and reputation of the company. So, it is very necessary to improve the company's human resource management.”*

Beyond the attention to management of workers, these labour laws have implications for cost management which is also an unavoidable element of



management controls. As costs must be linked to the management of resources and the reporting about the uses of resources, this implication is crucial for understanding how labour laws affect cost management. The finance manager commented on this implication and its effect on management controls:

*“The new labour law has increased company cost management, and also affected financial management objectives. We have to consider equal employment, employee benefits, salary, and vacation. Earlier, except a few important managers, we need to buy social insurance, now we must pay social insurance to all the workers, to pay overtime work and holiday work salary, and pay financial compensation if non-employee dismissal employee contract.”*

The impact of labour laws on management controls is crucial as the labour process in this industry is largely labour-intensive. Because of this, the changes in the labour laws badly affected the profits. In response, managers had to decide to change the way the workers are paid. Previously, they were paid based on the hours they worked, now they have decided to change to pay on the basis on pieces they compete. The finance manager commented on this:

*“For this company, in the manufacturing industry, it relies on lots of labour, so labour costs will increase significantly, there may even be losses. In other words, the labour cost has exceeded the range the company can bear. So, after the new labour law was issued, I reported this situation to general manager. The general manager and HR manager talked to group leader about the salary based on how many pieces of work they have done instead of based on working hours. If a worker finished the workload earlier, clean the workplace, then he could go home. No need to wait until 5 pm or work overtime. This also has a positive impact on the company. The managers realised the company rely on more technically talented workers; they bought a few robots to do the work instead of workers. It reduced the employee turnover rate and created a more stable internal environment for the company.”*

With regard to the management workers, the government has recently introduced several labour and social security laws. For labour development, it has introduced exams for gaining professional qualifications. These covered the employees such

as civil aviation practitioners, engineers, and accountants. These provide national qualifications so that recruitments can be easy as a recruitment information network has been developed with the information about qualifications. General manager emphasised this:

*“Recruitment and management of workers cannot be done by ourselves. Everything is now regulated. There are exams, and also information about them. We can get the data from the network and the information is reliable. We trust the system and do the recruitment accordingly. This is easier now so that everything is controlled by the government. This is easy in a sense. Otherwise, we have to spend more time to know about the workers. And this is systematic now.”*

### ***Other regulations***

In the company I studied, I have been told by several respondents that there are other multiple regulations which shape the practices of management controls. I did not intend to elaborate all these as my aim is to indicate how these regulations become an actor in the acting network rather than describing all these. One important development has been the government’s physical intervention in small firms like the one I studied. The general manager described:

*“You know many small and micro enterprises become bankrupt due to poor management, then banks stopped giving loans. To avoid such a situation, the government started doing annual inspections. These included a time limit, the content of the annual inspection, basic procedures for the annual inspection of enterprises, required documents, object and scope. This was also coupled with the inspection of quality. The Chinese government categorised industrial products quality supervision with food and drug supervision in one system. For enterprises, it is mainly inspection of the production equipment and quality qualifications.”*

These inspections covered the aspects of safety standards, as fire accidents have become significant in recent years, and the aspects of sanitary and occupational health.

The general manager continued:

*“The state pays more attention to safe production compared to past. The government send officers to inspect factory twice a year. Some time they will tell you when, sometimes it is a spot check. To check the safe production on work floor, fire prevention, paperwork, and randomly select workers to answer safety question and listen to answers, and how workers handle the safety issues.”*

Moreover, there are new regulations imposed regarding environment protection. For example, the government has introduced environmental standards for industries, waste disposal procedures, radioactive solid disposal procedures, and environmental pollution source declaration. These developments were crucial as air quality is poor in big cities in China.

The general manager:

*“The government has issued a new environmental protection law in 2014. The first was issued in 1989. For 25 years, for the first time the government was paying attention to environment protection and for the first time the ecological protection red line was introduced into the laws and regulations. It has affected management control in many ways and has been a headache for me in the first two years. There are many small factories making auto car parts, but they closed down because they cannot meet environmental protection requirements and pass the government checks.”*

These are new regulations in response to huge expansion of industries. General manager described two recent developments in this regard:

*“First is the industrial wastewater discharge. In the past, the wastewater was just discharged. Now, there is a requirement that the discharged sewage must be treated and meet the discharge standard. At the beginning, we failed to meet the standard. The production of the factory was compulsorily restricted by local government and fined. Then production was stopped for rectification for around two weeks. We had to communicate with the customers at the same time and fix the wastewater discharge problem. The quality manager, production manager, and I had many meetings. We decided to buy equipment to clean the wastewater. A modification production process replaced high pollution material. It is really difficult to handle the pollution with some*

*production procedures such as chemical spray painting. Second, production waste. We have to pay a special company to take away the waste. Before, there was no such requirement. Third, the production of raw material was pollution-checked. It requires the material report from the government designated department for testing. The customer material pollution requirement is higher than Chinese government. It requires to be sent to a designated third-party testing as the products finally have to be shipped worldwide, such as to North America and European countries. The products' final destination has higher environmental protection requirements than China.”*

The matter for management control is that all employees must be aware of these regulations, and they must be educated and accountable for the attention and maintenance of these requirements. This is crucial as government agencies visit the company to ensure everybody is aware of these. General manager explained this:

*“The government conducts spot pollution checks four times a year. The first year, we failed three times, but second year, only once. Now, we can pass the checks without a problem. However, the cost of corporate environmental violations has significantly increased. The new environment protection law implements a policy of “penalty per day”, which means the fine is based on how many days against this law, so the amount of fine will be much larger than before. For serious environment violation cases, criminal responsibility will be investigated, the person directly responsible may also be detained for public security management.*

*“In the past, different local governments had different pollution discharged standards. Some can even vary greatly. But according to the new law, it can be seen that the local standards in the future should be higher than the standards of the new law. In addition, environmental protection is becoming more and more restrictive to the development and operation of enterprises. Enterprises also need to consider environmental carrying capacity when carrying out production and sewage disposal.”*

## 5.8 Summary and conclusion

In this chapter, I took the view that government regulations are non-human actors joining the company's acting network of the management control which exercises power and control over the workers for getting things done better. As I have shown, these regulations come from gradual changes that had occurred in the Chinese economy which aimed to introduce the market economy with Chinese characteristics and the political ideological basis developed in China after 1978. Hence, it was important to know the context in which the regulations were developed and mobilised in the systems of management controls in the private sector. While contingency theorists (Miller and Otley, 1980) saw these as contingent variables, in my thesis, I am taking ANT to see them as actors shaping and reshaping the nature of management controls.

The regulations cannot be promulgated if these changes did not happen with the right leadership. Hence, in a case study of how management controls are constructed in a particular setting, it is important to know how certain non-human actors are related with human actors inside the organisation. Non-human actors such as the regulations I have elaborated in the chapter profoundly act in the system of management control leading both managers and workers to be complied with the regulations. At the end of the day, management controls are not a mere set of techniques such as budgeting and costing methods. Rather, it is shaped by both human and non-human actors and this construction is an on-going issue to be studied. However, as I have highlighted, this cannot occur without the ideological driver that made the Chinese political ideology and its impacts on individuals' behaviour within organisations (and society). Hence, the construction of management controls can be understood as a way of internalising the Chinese ideology through the operation of acting networks of human and non-human actors in organisations such as the FOB I studied.

While this chapter discussed the extent of regulations developed and their impacts on management controls, in the next chapter, I will discuss another stream of influences coming from another set of actors - that is the customer organisations and their product requirements. An understanding of how management controls are constructed is incomplete if one cannot see how these actors are implicated

in the acting network of management controls. The next chapter will aim to fill this gap.

## Chapter 6

### Customer as an actor shaping control

#### 6.1 Introduction

As I have now been in the swing of empirical analysis, it is better to remind the overall aim of the thesis. As was mentioned in Chapter 1, my aim was to investigate how a family-owned business, in the context of China, constructs a management control system in the light of both government regulations being imposed on and customer specifications being levied. By doing this, I try to argue that management controls are constructed practices in an acting network which is being translated through an obligatory passage point. While most management control researchers who have taken contingency-theory approaches have tried to argue that management controls are contingent upon a variety of possibilities, in my thesis, I am extending this argument showing how these practices are constricted through human and non-human actors by creating acting networks and obligatory passage points. In the previous chapter, I illustrated how Chinese political and regulatory contexts created part of this network leading to the development of such an obligatory passage which was reflected in both secondary and interview data. While this was a combination of meso and micro perspectives on the construction of management controls, the chapter left me to investigate another important aspect of this acting network.

In this chapter, I will examine the other side of this network. It is about how customers sit alongside government regulations in the creation of the obligatory passage as a system of management control. In achieving this aim, I will explore what the customer requirements are, how they may or may not contradict with the Chinese Government's political ideology and regulations, and how a management control system is constructed. These possible contradictions, as was conceptualised in Chapter 3, will be viewed as "tensions" as there can be conflicts among the management control system with the institutions, the political ideology, and labour controls. Beyond contingency theory precepts, I will examine how these customer requirements become actors inside the organisation being implicated in daily operations, budgeting, labour controls, and the overall management controls system.

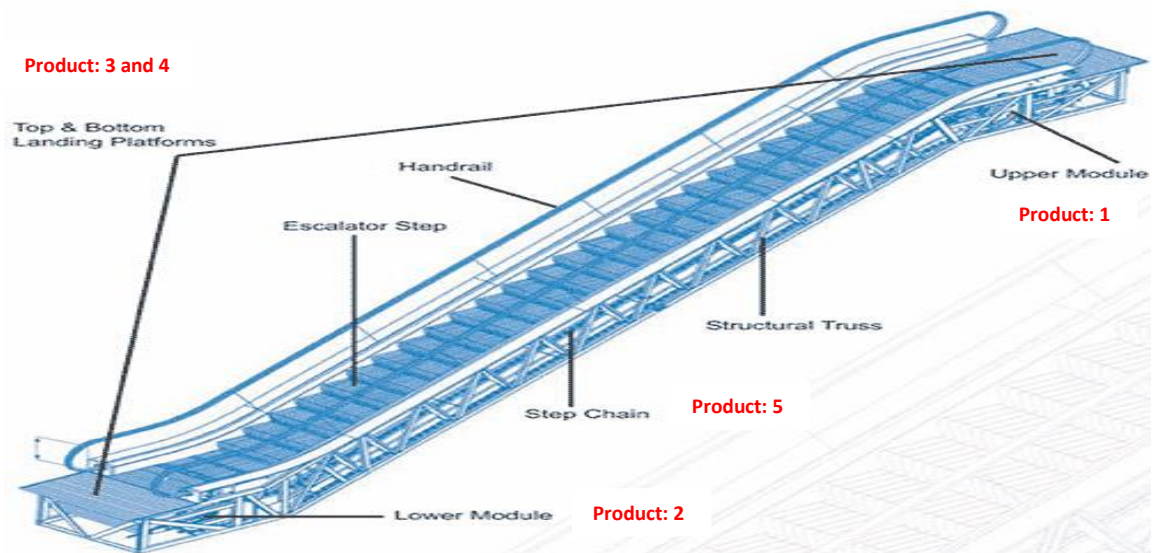
This chapter is organised as follows. In section 6.2, I will describe the nature and the state of the customer. This will proceed to section 6.3, where I will analyse how the customer requirements are organised locally in a network of human and non-human actors, namely, managers who impose on quality requirements and the documents which specify those quality requirements. In section 6.4, I will analyse how a system of management control was developed based on the above developments. In section 6.5, I will analyse how tensions were developed within this specific context. In section 6.6, a summary and a conclusion will be provided.

## **6.2 The Customer Company (CC) and product requirements**

The family-owned business I have been studying has a customer company which I will call the Customer Company (CC). It is one of the biggest elevator-supplying companies in the world with headquarters in Europe. It offers international engineering and service in 60 countries worldwide. In China, it has been identified as the best escalator supplier. It started to build its factory in 1996 with its headquarters in Shanghai and went into operation two years afterward. The elevators they produce are suitable for residential buildings, office buildings, and most standard escalators are also used in shopping malls and hotels, as well as escalators and moving walks that operate with heavy loads (e.g.: subways and airports). They also provide customised and wave-shaped escalators and elevators according to customer requirements, with different speed levels (high, medium, and low speed). CC has over 100 suppliers in China and the family-owned business I studied is one of the top 3 biggest suppliers.

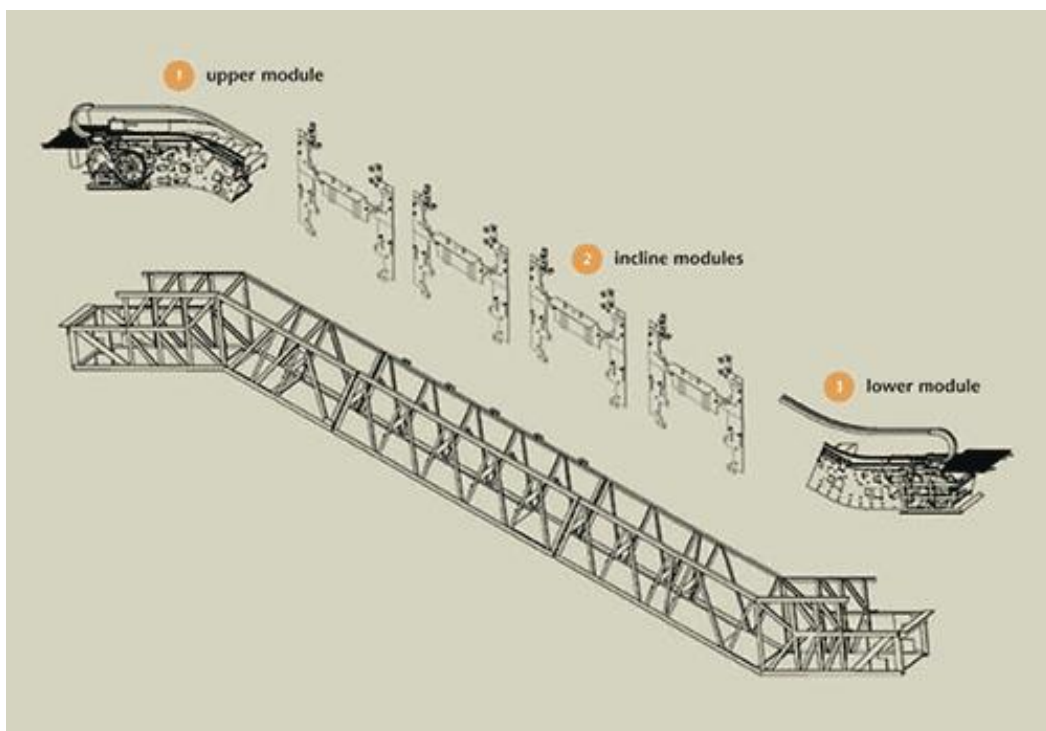
This fieldwork company became the supplier for CC in 2012 although it was engaged in producing and supplying elevators with Chinese brands from 2003. The escalators being supplied are made with bottom landing platforms, upper and lower modules, handrail and escalator step-chain, and structural trusts (See picture 1). The customer company makes orders for suppliers and assembles the products using the parts delivered and passes all required quality checks based on the requirements of the final customers.





Picture 1: *The structure of escalator 1 (Source: KONE Inc.)*

As we can see in Picture 1, the fieldwork company produces the three parts marked in red, covering top and bottom landing platforms, and upper and lower modules. As shown in Picture 2, these modules are big in size and look complicated.



Picture 2: *The structure of escalator 2. Source: KONE Inc.*

I took photos of semi- finished products as shown in Pictures 3 and 4. Picture 3 shows the upper module while Picture 4 shows the top landing platforms. Once these are completed for the CC, customer brand is fixed on them to look much better. Considering research ethics, I picked up these pictures just to indicate how these products look like and to emphasise the nature of operations the fieldwork company engages in. There are several other modules which look like these. My intention was to give the reader a flavour of nature of the products being supplied to the CC.



Picture 3: *Semi-finished upper module*      Picture 4: *Semi-finished top landing platforms*

These photos also show what the customers require in terms of their product specifications. And these specifications represent the amount of the works workers must perform and the amount of management and controls that the managers must be responsible for. Hence, the nature of the product and related processes which is the labour process determine the nature of management and controls associated with those aspects. This is an important point as it is the CC's requirement which is determined by recommended international qualifications and certifications. I shall discuss these requirements in detail below.

In other words, management controls are a network of both human and non-human actors. In this case, there is a series of non-human actors represented by various documents related to quality standards, and human actors who use these ideas in

order to deliver the customer requirements. One can see this is obvious and there is nothing else a company must do. However, what is important to emphasise here is that, without this local networking through which the documented standards and quality requirements are translated into an everyday practice, a system of management controls cannot be seen in practice. Hence, there are two key requirements related to the process of production which I will be analysing below. First are the quality management requirements and the second is qualified qualifications. These two requirements play pivotal roles in the local construction of management.

### ***Quality management Requirement***

The CC requires the fieldwork company to use a particular quality management system called VDA 6.3 (*Verband der Automobilindustrie*) - a German system which is also used in automotive companies. As such ideas and practices are now being diffused around the world and are shaping management controls within organisations, and the fieldwork company, as a major supplier, has taken this seriously. As this is invariably a kind of imposition on the work they do, managers cannot do anything else. The customer manager explained the aim of this system:

*“The aim of this quality management control system is to improve controls in a manufacturing organisation’s new product introduction and manufacturing processes and defined a process-based audit standard for evaluating. The German automobile industry has made it mandatory that their Tier 1 and Tier 2 suppliers must comply with and get certified to VDA. The elevator manufacturing industry has a similar system with another automotive standard. Therefore, the headquarters in Europe requires the headquarters in Shanghai to get certified to VDA mandatory for Tier 1 and Tier 2 suppliers. We have to do this as a matter of importance. We can follow nothing else.”*

This was evidenced by their actual practices. When reviewing the documents obtained from the HR office, I came to know that the company passed the quality audit standard (VDA 6.3) and the international standard for a quality management system (ISO 9001) in 2017 and 2015, respectively. I compared the difference between VDA 6.3 and ISO 9001 as I wanted to investigate the relationship between

those standards with management control in this company. The details I have obtained had been summarised in Table 1.

Compared to the ISO 9001 quality management system, VDA 6.3 is a process audit standard. Most Chinese local enterprises accept ISO 9001, and this is enough for quality management system standard for doing businesses. It can be checked online in the website under China National Certification and Accreditation Administration Commission. When one clicks on public inquiry of management system certification and enters the full name of the company with the verification code, the pervasiveness of ISO 9001 quality management system can be found. However, the fieldwork company had to be obliged to fulfil the requirement imposed by the CC to adopt the VDA 6.3 system. As shown in Table 6-1, the focus is that it is a system that enables the CC to engage in a continuous audit for determining the quality of the product.

**Table 6-1: VDA 6.3 and ISO 9001**

	<b>VDA 6.3</b>	<b>IOS 9001</b>
<b>Standard</b>	Process audit standard	Quality management system standard
<b>Similarities</b>	All focus on quality management system (QMS) Used by organisations with their supplier, not for individuals All auditing by an external certification body (external audit) and audits by internal staff trained for this process (internal audits) All require training Both help customers get quality products consistently, eliminates process errors, and inefficiency.	
<b>Differences</b>	German association of car industry who created and provided in 1946	International Organisation for Standardization (ISO) first published in 1987

	The German trade association for the automotive industry	A specialised international agency for standardisation composed of the national standards bodies
	Refer to a lot of other VDA standards	ISO 9001 is the only standard in the 9000 series that requires certification.
	Focus on production processes, product and production process development, sub-supplier management and customer service processes.	Framework or set of rules to fulfil requirements from Standards and customers
	A potential analysis for new supplier (e.g., risk evaluation based on the knowledge database with customer focus)	Based on seven quality management principles that senior management can apply to promote organisational improvement. (e.g.: leadership, customer focus, improvement, decision)
	Focus on effectiveness and efficiency of processes.	Focus on process control and at the end should meet the desired results
	VDA 6.3 has a scoring model for each question (10, 8, 6, 4, 0) and a grade for the overall results (A, B, C)	ISO auditing results in a pass/fail conclusion about compliance and effectiveness
<b>Limitations</b>	Focus on planning and production under controlled condition clauses of ISO	Other ISO clauses are only touched on in VDA 6.3 (e.g., management review)
	Have more training compared to ISO 9001 and	Easier to be qualified compared with VDA 6.3 (Based on interviews with managers)

	cost more (Based on interviews with managers)	
--	---	--

As managers say, the VDA 6.3 system is specific and corrupt-free. While ISO 9001 is common, many companies in China follow this by paying money to buy necessary training for adopting it. By doing this, some companies tend to engage in corrupt practices for getting the certification. The sales manager described this:

*“You could buy ISO 9001 certification in China if the company paid enough money to be trained. They may use some relations and show that they are now well trained for the certification. But for VDA 6.3, we pay and get the training from third parties and the customer company takes several months to finish the process, so that there is no way of giving a bribe to obtain the certification”.*

What is clear from this is the CC’s heavy and attentive involvement. This is because, as seen from Table 7, in terms of the aims, processes, and results, the VDA 6.3 requires deeper and detailed work for the products to be of high quality. While the ISO 9001 is a common standardisation embraced by national standards bodies, the VDA 6.3, which is the standard for the Germany automotive industry, is a processual system which is being enacted through an acting network. A manager explained this as follows:

*“The system is a process oriented one. That means there are ongoing visits from Europe and Shanghai. Hence, no one escapes from following the requirements. In fact, they are serious, otherwise we cannot get the orders delivered. The visitors are very particular and attentive. They want us to follow each step. And, we must show that we have a system in place for implementing these requirements. Like automobiles, elevators must be produced considering the safety of the final users. Hence, we must do these all the time. For this we get together with procedures, and we inform everybody of these requirements”.*

In this way, a local network is being used through the imposition of these requirements. In this network, the CC plays a more powerful role making the

fieldwork company obligatory for adopting the procedures than the state which imposes the regulatory procedures. As a result, the management control system in the fieldwork company is not an internal function to be organised and practiced according to the wishes of the owner. Instead, it is a result of a complex combination of those two invariable forces.

In order to do so, the fieldwork company must develop the management control system by following the guidelines specified in quality documentations. This leads relevant managers to get used to speaking the language of quality management and the production and labour process must be organised accordingly. As will be seen later, these product specifications then generate general management controls with another combination of labour controls and financial controls. Theoretically, this is an invariable result of networking of both human actors such as managers and workers and non-human actors such as specifications, procedures, processes, and systems of quality management. These networking attempts are continuous and live on a daily basis and its main thrust is creating tensions and subsequent OPP.

### ***Qualified certification***

After passing the VDA 6.3 certification, there is a second requirement which also shapes MC system, and it is also part of the overall quality management system. As the company manufactures elevator parts, it involves the welding of steel structures. Hence, the CC requires the company to obtain the certification of welding inspection companies and certification of welding inspectors from Canadian Welding Bureau (CWB). The CWB is the authorized national body in Canada for the International Institute of Welding. It has to be retested every two years by the CWB. However, the national requirement for the businesses doing welding in China is to get a job qualification certificate issued by work safety administration. Nevertheless, CC needs the CWB.

HR manager explained this:

*“Customer has higher requirements on welding in terms of welding process, safety, protective gear, dressing etc. I am responsible for making sure the company and welders obtain CWB certification, including welders’ application, process, and training. It is difficult for me as all the documents are written*

*by English, which I do not understand. We asked customer for help, the manager suggested to hire a third party to do it and named one. The quality control system was affected by this qualification. Such as: we rewrite quality manual, increased training and examination, changed product quality assessment method, increased quality check staff and so on.”*

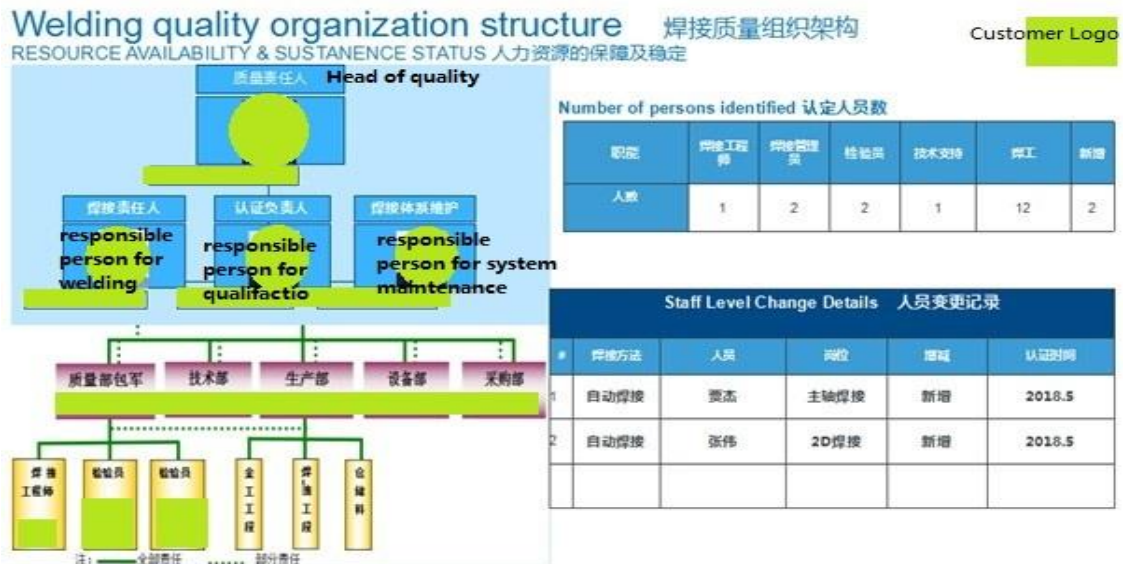
In this way, quality management control system (which is part of a broader management control system) becomes a written text which needs to be translated into practice. Both the text and the practice are an acting network which create a series of obligations.

I have discussed the above requirements I observed from client company to this company. Based on the concept of VDA 6.3, it shows the customer has the requirement on audit, process control, and evaluation process, and improving controls in new product introduction and manufacturing processes. I observed and found that the above requirements and welding qualifications relate to each other. For example, the welding qualification linked with shopfloor management and process control is elaborated below.

### ***Welding quality management***

I have found that welding requirement has created a particular organisation structure at the shopfloor level which has been shaped by the overall organisation structure, procedures, and policies. At the shopfloor level, welders must process welding through the shopfloor level organisation structure, ensuring that resource availability and sustenance of the quality status. In this organisation structure, the head of quality oversees the whole welding process, and at the second level, there are three persons responsible for welding, qualification, and system maintenance. As shown in Picture 6, the quality, technical, production, equipment, and purchasing managers are at the third level. This structure is required by the CC as it is a part of welding quality management. (See Picture 6).





Picture 6: *Welding quality organisation structure*

**Training requirement**

For this organisation structure to be satisfactory for the CC, the personnel in the organisation structure must be properly trained. This ensures that welders and supervisors of the company as a whole are rightly qualified with right certificates as shown in Picture 7. Without such qualifications, the company is not allowed to operate welding. According to HR manager:

*“Following the requirement from customer, we hired a training group from the third company suggested by customer company representative, the only one training agency operation in Shanghai. One reason is because this certificate is written in English which we cannot understand. But training will interpret it as Chinese. For welders, they are trained to operate in shopfloor including the step and process to do welding, which step should go first and how to do it safely. Compared with the Chinese welding certificate training, you only need to know how to do it, the steps are not important. Quality, production manager and I are welding supervisors, and we studied a few A4 size heavy books then pass the exam. Half a year later, the Canadian examiners came to check whether the welders have passed or failed, and other requirements to decide award qualification or not. We pass the qualification in 2018”.*



Picture 7: **Welding qualifications**

**Visual aids for shopfloor controls**

The welding operations are not isolated from quality requirements. It is networked with some other actors. To this end, as non-human actors, there are several boards being displayed in the shopfloor which are powerful and informative in everyday controls (See Pictures 8 and 9). The first board describes the process of products standard management with the names of each product and the standards to follow. The second board immediately describes the customer requirements in terms of the required manufacturing process. The third board contains the schematic diagrams for standard production parts showing how they must look like eventually. The fourth board provides an overview for those boards so that the shopfloor workers can be informed of what needs to be done and what needs to be followed. The fifth board contains inspection standards for product paint appearance. The sixth board shows the key measurable characteristics for module product. The seventh board highlights trouble shooting that might occur during manufacturing process. The last photo shows how to put products in logistics conversion rack.

The production managers commented on the value of these visuals:

*“These boards really help with the production; some workers do not understand, and we explained each process on the boards. We don’t need to shout at them all the time. Instead, we have created a colourful environment for them to easily follow and continuously learn what should be*

done. ...company comes and visits us and see whether these visuals are correctly followed, and quality standards are clearly maintained.”

In this way, all workers at the shopfloor are connected to these visual aids and enrol them in the network for controlling purposes. While this is so, these boards are regularly checked by CC ensuring the required local controls for quality are in place.



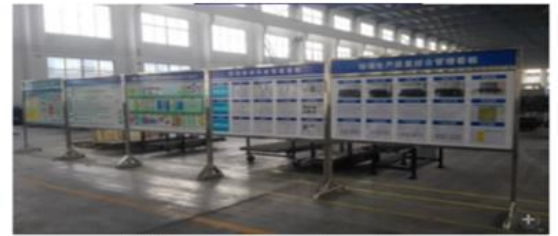
1. Module site standard operation management



2. Module production flow chart



3. Schematic diagram of module standard parts



4. Site management board

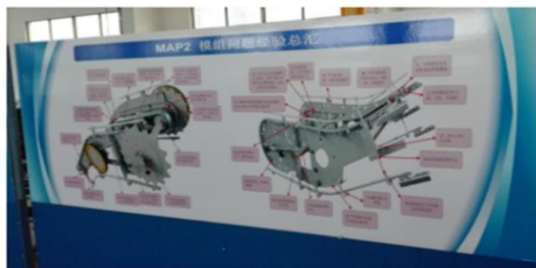
**Picture 8: Shopfloor documentation management**



5. Inspection standard for module paint appearance



6. Schematic diagram of module CTQ



7. Schematic diagram of module problem points



8. Module material flow rack

**Picture 9: Shopfloor documentation management**



Picture 10: *Boards for different departments*

Moreover, as shown in Picture 10, workers are now aware of management of the shopfloor relating to the management board, safety management specifications, the standards and general management structure for the shopfloor, and the warehouse. These boards are created and extended by the customer to support the customer requirement. Consequently, the company must follow all such manufacturing processes and related standards visualised on these boards. Before having businesses with the CC, such visuals and their connections with people did not exist.

### 6.3 Reactions and new formation from 2014

As we see now, the quality management systems and the specifications developed from welding certifications have permeated some changes to the management control system in the fieldwork company which I will analyse below.

#### 6.3.1 Reactions

The quality requirements and welding certifications problematised the former management control practices the company. Before 2000, the company's customer requirements were seen as a matter of own manufacturing experience the owner and engineers had developed. These were also based on some ideas and

practices borrowed from similar enterprises. The owner of the company explained this:

*“Previously, we were confident that we knew everything to produce these kinds of products. We had enough experiences over the years, so we did not have any problem about this. Further, we also knew what the others were doing. We were vigilant about these and borrowed as much as possible. We were not aware of quality controls and welding certifications that much. And we did not want to follow anything else other than what we have experienced and borrowed.”*

The practise of believing in experiences and the reliance of external borrowings had shaped local management controls previously. Those controls were relatively autonomous and practically workable for all actors in the organisation. This relative autonomy was important as the owner and the workers enjoyed their own way of doing things. When a problem arose, they used to follow the others. The owner continued:

*“Whenever we had a problem in the process of production or the use of a new type of material, we looked to others. This information was possible to be gathered through suppliers of raw materials and rumours and stories of others which become available from informal relationships. However, the situation now is completely different. We cannot rely on those sources now as we are dealing with specific customers who need something completely different.”*

### **6.3.2 Creating interests and seriousness**

This difference has also come from government regulations as mentioned in Chapter 5. It was explained that more regulations were imposed on the company in terms of labour controls through contract specifications, expansion of benefits for workers, safety procedures for workers, and financial controls through tax regulations. These were also aggravated by more environmental regulations imposed on industries. The HR manager summarised these changes:

*“We cannot be alone now as there are so many things to follow. Government as well as the customer company have been continuously telling us so many things. We have new documents to follow, and we then change our practices.”*

These changes are implicated in the changes in the management control system. As was mentioned earlier, this is due to quality specifications required by two sources, i.e., VDA 6.3 system and welding certification procedures. As a result, changes are occurring in the management system through two interrelated non-human actors: first, due to the high requirement from client about the material and environmental requirements, the company changed the incoming material quality control process. This means the company has increasingly imposed a lot of requirements on suppliers. For example, there are increased goods return and unqualified products control procedures to check good quality. The production manager explained this:

*“As we need to be serious about quality, we have to pass these requirements on to suppliers as well. We are now very careful of these, otherwise we cannot deliver what is required by the customer. The suppliers now know what has been changing so they are also serious about the ways of supplying.”*

The second is that supplier management related documents have been increased. For example, there is a new report to be handled which is outsourcing product pass rate monthly report. The production manager described the nature and the purpose of this report:

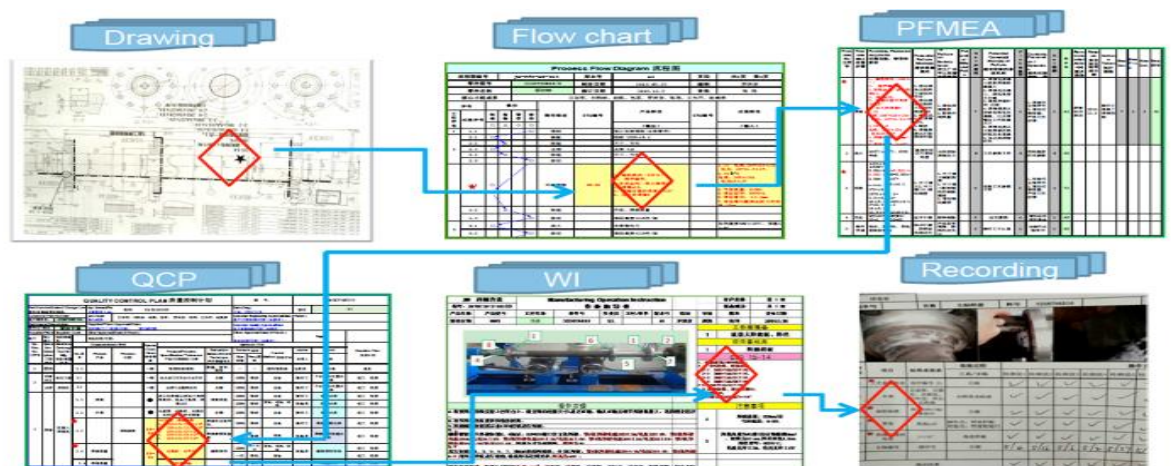
*“This report shows each month the goods pass rate on outsourcing product and the inspection pass rate report. This report contains supplier name, inspection batch, rate of qualified and unqualified products batch, one-time pass rate, and score which aims to know the qualified rate for goods from suppliers, and the supplier performance management monthly report. It lists the name and products from suppliers, and the quality and purchasing department responsible for the report. It also shows market and delivery performance, the performance completion, and the order and customer service after-sale. At the end, the total score for those performance is shown.”*

Moreover, the company now has a system called improved process insurance. The purpose of this system is to ensure the accuracy by eliminating defects and errors. As shown in Picture 11, there has been a new process with several forms to improve this process insurance. It shows the detailed process of how the company reacted to improve process. For example, the drawing marked with a black star shape means attraction, or the mistake made before. The process flow diagram

describes the situation move to failure mode and effects analysis (PFMEA), then adds into quality control plan (QCP), then explains in manufacturing operation instruction, and finally checks in recording form. The creation of this seriousness had led to an overall change in the system of management control which was not the case in the past.

In this way, the new types of these procedures have shaped not only the production and quality controls in the company, but it has also changed the entire management control system with implications for how workers now work and behave. What I learned from this is that without having a proper networking effect, such a new management control system cannot be established. The owner of the company explained about this new culture:

*“We are now completely different when we think of the past. We are very serious and attentive. All the things must be done according to a system, according to quality aspects. Government regulations are also part of this change. I cannot believe that we have changed to that standard. I am happy about this anyway.”*



Picture 11: *Overview of process insurance*

### 6.3.3 From problems into a system of control

In the past, the company had little confidence about such requirements. The general manager highlights three concerns:

*“First, the GMS (German Management System) must be responsive to both management control and production effectively. It will not slow down production speed. Second, the factory will have customer supporting in learning and development of GMS, the factory would learn from foreign experience based on critique rather than wholesale adoption. Third, the customers must ensure bigger number of orders, so that the quality management system reform is worthwhile.”*

Therefore, translation was a big challenge technically and managerially as there was a big question of how GMS could be adopted to the new system “directly”. According to general manager:

*“The GMS cannot be adopted (used) directly. It has to be adopted but with many problems. The problem is how we solve all the difficulties when adopting GMS. The customer has a few successful cases, but customisation is a really important factor. It could be managing many local network issues, not just purely technical. There are many tensions between the two management control systems due to many reasons: the manufacturing workers are not highly educated; this factory has ten times more workers than managers; and how workers respond to the foreign management system”.*

The tension mentioned is crucial. In the perceived contradiction between the old system and the new system in the above quote, the term “tension” is another way of invoking the management on the problems between GMS and local network. ANT terminology translation or to call customisation “directly” travelling, of GMS to the factory is not only about attending to technical issues, but also management of tensions between GMS and local network. The translation of actants is not only a matter of doing things in practice but also managing them in a way that makes local network acceptable. Hence, the question faced is how GMS can be travelled into local networks. According to HR manager:

*“When managers heard that we are going to adopt GMS to control the production and quality, they did not feel confident. On the one hand, they would like to learn advanced foreign technical control ideals and concepts, while on the other hand they know there’s going be many problems.”*



Managers were nervous about implementation of GMS such as language issues and how to learn, how to interpret to workers. But customer side felt their concerns. The response regarding support from customer senior manager:

*“I am in charge and confident in adopting GMS. Before deciding to use this system, considering the environment and situation of China’s manufacturing industry, the customer specially consulted the German Automobile Manufacturers Association, since the customer headquarters in Europe and Shanghai are all using this system. First, it will not slow down factory production efficiency. Second, the customer will offer all the support they can to assist the GMS. If there was any problem because of GMS, the customer would bear the responsibility. Third, the operating of GMS meets the requirements of the Chinese industry, and there isn’t any problem using it.”*

As I realised, there were a series of other questions among the workers and managers. Could GMC be used to make the existence of MC system appropriate for controls? Will the GMC replace all the factory’s existence of MC systems? Which part of control will be used in the factory? How do we know whether the foreign management control is suitable for this factory? Moreover, the production manager argues the German managed system encounters problems with labour controls:

*“The German management system includes controlling our labour. By contrast, there are differences between foreigners and Chinese workers. Such as: workplace culture differences. In China, the workers see general manager and owner as the biggest boss. The workers normally do not talk in the meeting, they listen when boss talks. Normally, they do not ask questions. When overtime working, the workers normally would not say “no” and “happy” to work as overtime payment.”*

However, these problems have now been addressed. For this, customer company has influenced the fieldwork company in several ways. For example, the customer gives a few successful cases about other supplier factories in China. They have shown that several organisations in China are using this MCS with positive feedback from them. Moreover, various supports have been offered from the customer, such as training, development plan, regular check, answer questions and feedback report. These interestment were mobilised by the customer company managers

to convince the company about the German management system. The general manager described its importance:

*“They have greatly convinced us showing its usefulness. They emphasised the benefits we can gain from it. They also highlighted the relationship between controls and future success of the company. There are good connections in this system with accounting controls as well. It could help finance department to know the company’s financial situation better and run the company more effectively.”*

With the passage of time, as I had shown previously, management control system is a result of networking with various actors. For this to happen, the necessary changes took place in various aspects and sections in the company. Although it is complicated to unpack all these aspects and sections, it is worth providing some illustrations in this regard. The company increased steps about overall status of product. For this, there is a system to analyse manufacturing mistakes and to provide necessary solutions. In VDA 6.3, it has Critical to Quality (CTQ) and Controller Training Solutions (CTS). These involve exploring the mistakes and providing solutions. The production manager explained this:

*“In this regard, the German management system can spot a product with a CTQ code and number. It shows when to implement and makes comments at the end. This is very useful for us to know what is going on.”*

In this way, the company improved all projects related to the production process. There is now a system of collecting information such as project type, number, and title, start and finished date, but also there is a system to identify gaps in the development of related projects. There is now a clear plan regarding these. The production manager explained this:

*“Unlike in the past, our process system is very systematic. If anything goes wrong, the VDA 6.3 can spot it quickly. People have been well trained to practice these things correctly.”*

As management control is about developing and maintaining an internal network, there is another actor being involved with VDA 6.3. This is tools management which also ensures quality. The production managers described this:

*“Aims to ensure accuracy when measuring. For example, the quality and production managers wrote tooling verification guide. Check tool surface paint off or abrasion, whether there is air leakage in the trachea and others. The plan to check tools, the final report about tool check.”*

All such checks have been developed into a system of internal audit which entails process and product audits. This is a new addition to the system of overall management control. As a result, these audits relate to quality management system audit, process audit, and product audit. The member of the finance department described the new addition:

*“Production and quality management system has now been developed into an internal audit system. This is about the adherence to German guides and specifications. In the past, our internal audits were limited only to financial matters. But now, quality and production audits are more important than financial matters. If we did not do this, we run the risk of losing the customer. We do everything to protect the confidence about our quality by paying serious attention to product and quality audit.”*

Another addition to the network of management control system is the introduction of the Enterprise Resource Planning (ERP) system within the finance department. As a result, everything has now been centralised for everybody to see what is going on. A finance department staff expressed how the new system works:

*“The financial staff now enter all financial figures into the ERP system and warehouse management system. My workload has increased as I must enter all company financial data into the system. About VAT invoice, the customer requests a detailed description invoice rather than a combined invoice, some small components with many different model numbers have to be entered into the invoice with details.”*

The ERP system is crucial because when the customer company visits, checks are carried out to see whether the staff can use the system properly. A finance staff member expressed this:

*“In the past we were hesitant to introduce the ERP system as we needed proper training for the use of the system. As they came and checked us, we could not delay the implementation. We are now comfortable with the system,*

*and everything is available for them to check whether the system is in place or whether we are able to us it.”*

With the establishment of the ERP system, the company can now easily achieve the objective of the company because ERP has been in place to embrace GMC. Previously, the factory had little knowledge about the GMC. In this regard, there were some problems initially as the production manager explained:

*“Two problems were faced with the implantation of the new management system with the use of ERP: The first is what is the VDA 6.3 German management control and audit system. All the managers including owner only know what Chinese management control is. Some paperwork and control mechanism were borrowed from local automotive manufacturing (e.g.: basic management of labour and finance). The existing system does not include production process control, potential analysis for new suppliers, scoring models, and others. The second problem is how to adopt GMC and how to meet GMC requirements. No one understands the material as it is in English, where to start, what they need to do, or what are customer regulations.”*

However, management controls were developed through the association with documents, new ideas, training, discussions, advises, displays, etc. This also involved a translation strategy as the production and quality management ideas were borrowed from the automobile industry. Interviews from the production manager highlighted this:

*“This manufacturing factory needs a complete and mature system with all ideas and quality management systems, but currently there is no MC specific in elevator manufacturing industry we could borrow in China. The common one we could borrow is automotive manufacturing because many big international auto brands have established factories In China. There are management similarities between the two industries, but still have many controls uncovered, the factory is happy to know the new industrial practices.”*

This translation has a bit of history. Initially, the factory had two sets of management systems: one borrowed from Chinese car manufacturing industry and one ISO 9001 quality management and Chinese industrial national rules. They are all the industry requirements. Thus, the managers have different concerns

regarding the suitability of the GMC for the factory but given the importance of resolving those problems, managers are now content with the changes through the power of the local networks of ideas, documents, and practices.

This has been important as having a business in this line of product is still lucrative in China. According to China Elevator Association, China is the world's largest elevator manufacturing and elevator market. It accounts for 60% of the global market and has a maximum demand of the home market. For example, securing housing have the largest demand, the securing housing with 4 floors and above shall install elevators. Hospital expansions, government office buildings all have demand for elevators. The elevators are customised which means many different models and specifications, and high safety requirements.

Hence, a comprehensive quality production management system is needed in order to tap this market and be successful in the implementation of new practices. That is why, as was mentioned earlier in the chapter, welding certification was essential. Having this certification is crucial for the product to be sold abroad. There are different elevator standards between China and other countries. For example, EU has higher standards on steel raw material, stainless steel anti-rust process, and paint environmental protection compared to China. Thus, it requires that the supplier has the internationally recognised industry certificate to prove the products meet international standards.

Hence, the management control system was developed not only to embrace quality requirements but also to ensure that production and quality controls occur with the support of welding certification which eventually led to the establishment of an overall management control system. This led the managers to address the concern how local network actors obtain the international certificate. Again, this needed a local network to get it and then the actors to be organised, leading the local network to accept the importance of welding certification and to develop control practices accordingly. Production manager said:

*"...due to Europe and North America having higher standards for elevators, the supplier factory engaged with export products business has to comply with the standards of the international steel structure welding organisation. The customer indicates Canadian Welding Bureau (CWB), which offers tests and register services. Registered welders and company must be retested by the*

*CWB every two years. This does not conflict with Chinese industry laws and regulations but is a higher industry requirement.”*

This raised another question of organising a local management control system. That is, how could Chinese local welders become aware of global ideas and practices of welding production. The answer to the question is to become obliged to get the CWB certification. The issue here is that it needed agreements between quality management people in the company and the people who deal with welding tasks. Without developing a suitable management control system, this cannot be possible. For this, many negotiations were needed. Quality manager said:

*“...these customer requirements mean the factory and managers have to negotiate hard with customer quality department and workers. More importantly, they need to find solutions to fix and solve problems during the process. It means managers, workers, and current management control system are all affected by customer requirements. What to do and how to do are going to be different. A challenge to workers and the factory.”*

#### **6.3.4 Protecting the environment**

The above is the development of a local management control system based on the customer’s requirements surrounding the adoption of various production and quality management requirements. Another requirement which influenced the development of a local management control system is the attention to environmental protection as the detection requirements for hazardous elements were particularly high.

In the past, the factory failed to follow products related to environment protection tests. Consequently, unqualified products were returned from aboard. This led the factory to receive a huge fine. Sometimes, luckily, after some negotiations, the customer waived some penalty measures provided that the customer makes quality inspections department responsible for the quality checks. I found that, after analysing the case, managers had discovered one key technical issue belonging to production process control. Managers had realised that that old machine which were used to produce elevator parts needed to be replaced with new machines. Moreover, it was suggested that raw materials needed to be

imported because they cannot be bought from China. Product packaging were to be individually packaged to reduce friction and separated by wooden boards. Products not only had to be sent to government departments for testing, but also to third-party quality and environmental agencies for further testing. Because the inspections are to be more accurate and be in line with international standards, these requirements were very important. Financial manager said:

*“The customer requirement with quality management system, and environment protection, they are all challenging to financial accounting, as they increased expenses and labour force. Plus, based on Government value-added tax reforms in 2019, the VAT has been reduced by 3% from 16% to 13%. The company finance department was excited by the news. However, after 2 months, the sales manager received the news from customers that two of the customers have also reduced the price of goods by 3%. It meant profit has been decreased. Therefore, the factory had to reconsider about budgeting and how to improve effectively and reduce expenses.”*

Overall, I understand that the factory faced not only technical management issues, but also efforts were made to solve the problem and manage all tensions. From ANT perspectives, as will be discussed in the next chapter, there were a series of problems seen from the eyes of the customer and there were events and situations where the company was convinced of certain ideas, practices, and procedures. Hence, the factory’s management control system can be seen as a hybrid of foreign advanced management control and Chinese management control based on local experience. It is not a dual system, former one manages quality, production and audit control, while the latter one manages labour control and others. Both systems interact and control the factory together. In the next section, I will discuss how all these were enrolled into the mobilisation of a relatively established system of management control system as a local network which was also linked to a global production network.

## 6.4 The management control system being constructed

So far, I have shown what requirements the customer had imposed on the company and how the company had responded to those requirements. On the one hand, the company had to respond to these requirements because there has been a huge competition in the market for quality products to satisfy the final customer. On the other hand, given the nature of the product, quality procedures were a key element which need to be carefully attended and implemented. As a result, the management control system of the company cannot be one that is completely independent of those requirements of quality and production elements. In this section, I will discuss how these requirements had influenced the company to change and develop its management control system.

While a management control system is established to allocate resources to achieve set goals, it cannot be constructed without an acting network. As was discussed in Chapters 2 and 3, that such networks problematise previous systems and mobilise new ideas and practices by involving both human and non-human actors into an acting network. In that sense, management control system is an acting network of these actors whose aims are to achieve the goals of the network rather than the goals of the company. That means the company itself is a network in which such an acting network is developed for organising a system of management control. While the company has a legal and organisation context, the management control system has an aim of acting towards achieving the goals of the network. So, I will examine how this construction had occurred in the company through the development of such an acting network.

In this examination, I define “management control” as a network which represents how daily operations are performed. In this network, there are human actors, namely, managers and workers and non-human actors, namely, government regulations and customer requirements shown in documents, ideas, devises, and processes. These actors then get together to respond to both government regulations and customer requirements which is sometimes contradictory and complex. However, this complexity was not be to be eliminated as the reality of controls is to face this complexity, otherwise the company cannot survive in the competitive environment. General manager explained this situation:



*“We have changed a lot to our manufacturing systems since the year 2000. This was essential change as we wanted to satisfy the customer. It was the only way to compete with others and it was the only way to survive in the industry. But we had to face a lot of problems because people had to be trained for the new system and new practices had to be added to our system. So, it is now very demanding.”*

### ***Early concerns and major changes***

I have shown that multiple actors with different roles and interests in the requirements process were pushing in different directions to construct a new actant. Customer foreign inspection group arrived from headquarters in Europe to inspect the programme, and the group found many unqualified areas such as technical problems, wrong work production processes in site, and the lack of some important documentations yet. The inspection result has increased pressure for the company to be more careful with adopting German quality audit system. Quality and project managers had to negotiate hard and to review the comments and accept the solution to fix the problems. Production manager said:

*“There are still many difficulties in the implementation process. For example: Auditing ISO 3834. This is a quality requirement system for fusion welding of metallic materials. Because it is a foreign system, we are just starting to learn, learning at the same time groping. There are still many places we do not understand even after training, the context is ambiguous. We asked customer headquarters experts in Shanghai, they do not know as well. So far, we are still continuously learning ISO 3834.”*

In January 2018, the customer project group issued the implementation of the quality audit qualifications and concluded a plan that the factory be established to meet all requirements. The plan also identified target audiences for training: HR manager, general manager, production manager, quality manager, technical manager, sales, and purchase managers, and 12 welders, almost all the managers involved in production, quality, and auditing process, excluding the financial manager.

According to the plan, the HR manager and production and quality managers are responsible for welding certification. The customer provides self-study materials

and organises training for quality passport organisation (QPO). Two types of training are done in the form of attending classes. One conducted by its experts, another conducted by third party the customer indicated. The managers received training then conducted the training to welding workers in the shopfloor site with the tutorials. The role of the three managers' position is not only managing the daily factory work, but also learning the certification materials and taking the exams. It is a specificity training course with four heavy A4 size textbooks, and they have to attend in Shanghai, organised by customer and third parties. The HR manager showed me the heavy books during the interview in their office which was written in Chinese. Publisher had translated from original English version. Exams are also in Chinese. I asked whether they passed the exam. She told me the exam was due in six months' time.

For 12 welders, the training they received from customer was in shopfloor on how to do the welding during production and the order to do it. Welders must pass the examination in shopfloor and manufacturing site by customer and examiners from Canadian Welder Association, follow the requirements from examination form, and examine the knowledge they gained about the order of production and welding process. The exam result will expire in two years' time. So, that process must take place once in every two years.

General manager is mainly overseeing the whole process. He is responsible for important communication, solve major problems, and organise formal and informal meetings to discuss the daily work in the company. In addition, he delivers the payment messages to financial manager in terms of all financial activities, such as paying for purchases, salary, expenses and checks payment received from customers. Technical manager, sales and purchase managers also receive the general training organised by customer and attend meetings. Technical manager is responsible for project development and organising the formulation of technical solutions, communication with customer and technical experts and asking them the drawings or technical questions and sending purchase orders to purchase department. Sales manager is not only responsible for receiving orders, but also for communication and updating the latest requirements from customer such as the delivery of finished products to customer warehouse. At the beginning, it can be delivered anytime of the day, morning or afternoon, but the

customer had allocated a detailed timetable for supplier. E.g., it only can be delivered between 4:00 pm and 5:00 pm including the unloading of goods. He must also revise VAT invoices, e.g., charges for successful samples, fines to be paid for breaches like the delivery driver or manager going to the customer's factory without a helmet on, or forgetting to leave visitor information in registration office. The above small changes were due to the customer company also adopting the same quality and audit control system in their sites. According to purchase manager:

*“Due to the quality audit system having requirements for the raw materials, I do not know where to buy some stuff. I even must ask business competitor where to buy the materials. The audit system has guide for correcting errors and tracking production errors. If the quality problem is due to the unqualified purchase of raw materials, I have to be responsible.”*

The group leader oversees one product or the production process, for example, landing platforms group, upper and lower module, material cutting group, welding group, and assembly group. The group leader manages daily production and report the production and worker control issues to the production manager, reports the order from production planning team and asks for any clarifications on the drawings from the technical and quality control manager. He also ensures that the workers wear safety work clothes and so on and implement formal management methods including forms, meetings, conversations, etc.

These concerns and major changes show that the new system is working as a network. In this system, there is a common agreement that management control system must be a system of quality management system. The General Manager continued:

*“Our manufacturing system is now a quality system. All aspects of this system are based on the GMC - VDA 6.3. The key point is our commitment to maintain the quality standard. For this, we have a suitable structure with competent quality process professionals. All manufacturing KPIs are developed through this system.”*

In this system, there are several elements being developed and constructed within the company. They include an inventory management system based on JIT ideas,

a quality audit system based on supplier standards, total quality management based on VDA 6.3 ideas, total preventive maintenance ideas based on supplier quality standard ideas, and accounting and controls based on ERP system ideas. These elements help actors and network to direct the achievement of organisational goals.

### ***Inventory management***

The German management controls require a proper inventory management system. According to quality standard, the inventory needs to be sent by monthly reports to the customer production department. To keep track of a factory's stocked goods, there must be a system ensuring that the supplier has enough inventory to deliver for future orders. The production manager described this change:

*“As the delivery on time is very crucial, we have this inventory management system now. Its main propose is to ensure that there is enough stock at any given time so that we know we can deliver the goods on time. Hence, we have a system to check everything monthly and when the customer visits us, we can show that we have the system in place. This is the starting point in our system, and we cannot lose the grip of this system.”*

Accordingly, I have been told that this system requires the company to count all inventory and enter those numbers into the system. The production and quality managers with warehouse workers and group leaders counted the raw material, semi-finished and finished product, and other small components, as they are in different places. Some semi-finished products are in shopfloor while some finished products are in different warehouses waiting for delivery. They spend one month to finish the inventory counting and summary in a form. The financial assistant and warehouse workers together enter all numbers into the system. This is really an acting network - working together with both human and non-human actors.

As I was told by the production manager, in the past, the staff did not want to manage inventory in this way. It was as systematic as that and up to date. This is because the staff had not enough time to spend on these tasks as their workload was heavy. They did not know how to manage the process. But, because of the customer's requirements, a system had to be created. The production manager emphasised:

*“After several rounds of negotiations, we had created a form to include model, category, quantity, and production date with group leaders and counted inventory together. This is now in place, and it is useful for us to know where we are in terms of stock levels and what actions we need to take to keep the levels right.”*

However, this development was not a smooth one. It took time to develop the form through discussions and to get this system accepted by all relevant actors. The financial manager explained:

*“The factory has this inventory management system. It helps business to know that it is time to finish products and buy more materials to manufacture them, but implementation did not go well. The customer regulation promotes the implementation, and we supervise it properly to get the things done. Now, it helps us to do budgeting control better and to do planning management and directing company effort and behaviour.”*

So, a particular form has entered in the network to work together to create an acting network in the system of inventory control. This has then linked to other humans such as the actors in the financial management who deal with the financial and budgetary controls with the implications of this system of inventory management. Eventually, together with inventory management and financial management, things were gradually added to the overall management control system which changed the behaviour of the organisation and its members. The general manager expressed the views of this development:

*“As a small development with a form for inventory management, we saw a good development in the budgetary control system since there was a clear accuracy in the prediction of what is to happen in terms financial management. Overall, everybody came to know how this must be organised and managed. This helped us to change people’s everyday behaviour.”*

In this way, the management control system was being constructed with actors in the network and through new experience for acting together for the development of an overall system of management control which is influenced by customer requirements elaborated previously.

### ***Quality audit system***

This has also come from the networking effect with the GMC. Unlike in the past, now a quality audit system has emerged. This sub system was implemented through adopting five stages: (1) project initiation, (2) training, (3) implementation, (4) inspection, and (5) feedback, and revising and finalising. Although this seems to be a normal process of implementing anything, this quality audit system required, as was in the case of the other sub systems such as the inventory management system, a series of negotiations to get the actors involved and get them accepted and to be comfortable with the system.

The general manager recalled this new project which was again led by a project team with the members who were charged with adopting the German management system. These members of the project team visited shopfloor and various departments to know how quality audits can be undertaken in those respective areas for satisfying the customers and to ensure everything is in place to achieve stipulated quality standard. For this to happen, a production manager from the customer company organised a workshop to introduce and explain the project, to outline the process and how to complete it for a successful implementation. Project manager said:

*“It was a great workshop conducted by technical experts from the customer company who had a considerable knowledge about German management system. Each manager discussed with experts and asked questions and came to know the role of each manager in the programme. This made us confident in front of a completion plan. Without such a workshop, we couldn’t have thought how this can be implemented better.”*

I realised that this was also a result of a network created with actors, namely, managers, experts, and workers and actants, namely, inscriptions and ideas. Numerous inscriptions and ideas were produced and circulated by human actors to develop this network which became a quality audit system. In this system, there included a series of documentations such as quality standard from customer, evaluation forms, system plan, training content, work system, detection scheme, and processing flow. In the acting network, every Monday morning, there is a meeting attended by all staff including workers. The purpose is to emphasise work disciplines and safe production in order to maintain quality which can be

unquestionably audited by the customer company. And every Thursday afternoon, there is another meeting attended by all managers and group leaders aimed at discussing quality, production, and how to improve the performance, the production plan for next week, and to determine related important schedules. Other than these meetings, there are regular communications among customer managers, technical experts, factory production, and technical department to ensure that this quality audit system is active and working all the time making it visible for the customer company.

For GMC, this quality audit system is a quality standard audit (QSA) which has also been networked into a process characterised by manufacturing process audit (MPA) and performance monitoring and control. Hence, as I was told, these QSA and MPA are not only for auditing the factory's quality standards, but more importantly, it aims to identify process weaknesses. In that sense, there emerged an important element in the management control system leading to KPI (Key Performance Indicators). In other words, performance monitor means the customer measures factory performance by following KPI such as early failure rate (number of claimed quality issues divided by the monthly average of the previous 6 months of equity shipped), production failure rate (number of non-conforming products detected by customer divided by the total number of factory products used in the same month), complete on time (analysis based on order rows and delivery time), and replacement shipped on time (replacements sent on time divided by all replacement materials requested during the month). All above KPIs and targets monitor the quality. In this way, the system had developed into a total quality management which is elaborated below.

### ***Total Quality Management (TQM)***

While the total quality management systems are well known, the TQM system developed in the company was based on the requirements of the customer. During the six months I spent in the factory made me understand this. The specific TQM system, as I was told, has two aims: to harmonise factory management structures and to have quality process professionals for implementing the overall process. In the implementation process, the major task was to set Key Performance Indicators (KPIs), to set up supplier development projects, and to have quality audits in place for corrective and preventive actions.

As the TQM system is in place, when the inspection group visits factory, there are various forms with regulations for them to indicate whether the inspections have passed or failed. Normally, they click the option that do not meet the requirements asking to rectify those within a specified time. After rectifying, they check again to ensure everything is in place. This is what they mean by TQM. I took one screenshot to verify this as shown in Picture 13.

Supplier Quality Standard		Supplier Quality Standard	
<b>CONTENTS</b>			
1.	INTRODUCTION .....	3.3.2	New Product Quality Plan and Execution .....
1.1	Purpose .....	3.3.3	Production Approval and Project Transfer .....
1.2	Scope .....	3.4	CTS/CTQ and Process Control .....
1.3	Responsibilities .....	3.4.1	CTS/CTQ .....
2.	GENERAL REQUIREMENTS .....	3.4.2	Process Control .....
2.1	Management System Registration .....	3.5	Changes to Approved Products and Process .....
2.2	Quality Passport Organization .....	3.5.1	General Product and Process Change .....
2.2.1	Expectations and tasks .....	3.5.2	IT System Change .....
2.2.2	Three QPO Roles .....	3.5.3	Change Implementation and Tracking .....
2.2.3	Competency Requirement of QPO .....	3.6	Nonconformity Control and Corrective/Preventive Action .....
2.2.4	QPO Setup for New Supplier .....	3.6.1	Nonconformity Control .....
2.2.5	QPO Changes at Existing Supplier .....	3.6.2	Corrective/Preventive Action .....
3.	QUALITY REQUIREMENTS .....	3.7	Mistake Proofing Implementation .....
3.1	Safety and 5S .....	4.	PERFORMANCE MONITORING AND CONTROL .....
3.1.1	Safety .....	4.1	Supplier KPI Measurement .....
3.1.2	5S .....	4.1.1	KPI Definitions .....
3.2	Quality System Requirement .....	4.2	Feedback Process and Material Delivery Back .....
3.2.1	Management Responsibility .....	4.3	Validation and Reconciliation .....
3.2.2	Internal Audit .....	4.4	Supplier Audit .....
3.2.3	Employee Training and Qualification .....	4.4.1	QSA and MPA .....
3.2.4	Sub-tier Supplier Management .....	4.4.2	Product Audit .....
3.2.5	Document and Information Management .....	4.5	Quality Improvement Team Meeting .....
3.2.6	Productive Maintenance and Calibration .....	4.6	Supplier Scorecard .....
3.2.7	Product Identification and Traceability .....	4.7	Supplier Excellence Certificate .....
3.2.8	Warehouse Storage and Handling .....	5.	CONTINUOUS IMPROVEMENT AND DEVELOPMENT .....
3.3	New Product Quality Planning and Implementation .....	5.1	Quality Improvement Plan .....
3.3.1	Requirements Collection and Review .....	5.2	Development Projects .....
		5.3	Strategic Development Program .....
6.	RELATED KONE PROCEDURES AND TEMPLATES .....		
7.	SUMMARY OF ACRONYMS AND ABBREVIATIONS .....		
8.	APPROVALS AND VERSION HISTORY .....		

Picture 13: *Customer supplier quality standard. Source: Author.*

So, the TQM is based on this supplier quality standard which covers eight chapters to elaborate general requirements, quality requirements, performance monitoring and control, and various other requirements. In each chapter, there is a subsection explaining the detailed requirements and how to do it. The managers must follow the instruction as it is part of the requirements. For quality control, safety is the priority for customer and the state requirements. The production manager expressed the views on this system:

*“This supplier quality standard has now become a complete guidebook for a system of TQM. We are aware of this and are given proper training to understand and implement. All are linked to KPIs and to customer’s visits. Quality audit by them is so crucial to maintain this TQM system. This has been*



*a remarkable development, so we are confident of what needs to be done to achieve the aim of the supplier quality standard.”*

In this way, the management control system, as an acting network, has been constructed with the guides, helps, and instructions of the customer and the involvement of related actants to get the network acting and active in relation to those aims of the customer. However, it is incomplete if this analysis is not linked to two important elements of government regulations which have also linked to this acting network. These two elements relate to labour controls and environmental protection.

### ***Labour control***

As was discussed earlier, worker safety is a priority according to government regulations which is also required by the customer company. There is a national regulation requiring the factory to buy insurance for workers, work insurance to be bought from a third party in case of accidents at work. There are five social insurance schemes related to pension, medical care, unemployment, work injury, childbirth and one housing fund which is paid to the government. The HR manager explained the necessity of following these regulations for labour control purposes:

*“We must adhere to these regulations and the customer must also now check whether these schemes are in place for all the workers. Unlike in the past, we have to control the workers with these schemes in place.”*

In addition, the customer has a higher work clothes standard as shown in Picture 14. The worker has workplace safely dress code with all key essential features. The group leader checks every day to ensure that all these are in place.



Picture 14: *Workplace safety dress code. Source: Author.*

The customer and a government officer visit the factory for random checks. HR manager continued:

*“Clothes are very important because they must represent the safety aspects. Officers and the customer may visit us anytime. We must show that everything is in place. We thus pay a greater attention to this.”*

Another control is training. The customer regulations indirectly shape labour skills from single-tasking to multi-tasking. Firstly, before quality control, workers had not received enough training, most of them only knew how to do one process, but after training, the workers know comparatively more than before. Secondly, the German management control makes factory planning efficient and reduced labour waste (How labour waste is reduced will be discussed in budgeting control). Even in the face of rapidly increased orders, the work is carried out efficiently. Overall, German management control increased production efficiency through such aspects of labour control.

HR manager explained this:

*“There has been an increased requirement for worker training as this was an essential requirement by the customer company. This was to increase efficiency and to maintain quality in order to satisfy the customer.”*

The management control system so constructed is a result of such a series of efforts by a variety of ideas and needs imposed by the customer and the government. This has led the company to put everything in place through this system of control.

### ***Budgeting controls and planning***

All the above systems, ideas, and practices culminate with budgetary controls and planning. This is a normal process in the construction of management as I was told by the finance manager:

*“All the new systems have now been linked to my division where I need to put everything into budget. And this budget is linked to all production plans and quality control requirements because they all need money.”*

There was a change in this regard. As I mentioned earlier, due to the imposition of the customer and the government requirements and the expansion of business's scale of production, the financial manager found that profit has declined considerably. The expenses have increased because of several reasons. Finance manager explained:

*“First, purchased new machines to increase production efficiency. Second, replaced old machines to meet the customer and national standards of environment protection. Third, labour expenses; increased investment in workers because national regulations require to buy five types of social insurances and housing fund, increase salary as worker requested. In the meantime, the production manager found workers in some positions deliberately increasing working hours to earn overtime pay. Therefore, the financial office adopted budgeting control.”*

In this way, the financial office behaviour has been shaped by German management control in terms of conducting budgetary control and adopting ERP system. At a formal internal meeting, HR manager, general manager and production managers decided to have individual meetings with group leaders and workers. In these meetings, managers highlighted the need to pay by the number of produced pieces instead of the number of hours worked and discussed the price per piece of work.

This approach was considered to reduce waste of resources and increase work efficiency. In fieldwork observation, I noticed the continuous improvement of customer quality standard has content called 5S. It aims to establish standards that lead to the identification and elimination of waste. The content is factory training for all workers to clean the equipment, tools, workplaces, floors, cabinets, almost everything in its place with clean methods and frequency. It ensures keeping clean and tidy an everyday routine for workers. It is checked and monitored by customer inspector and factory managers together. By using formal audit checklists in an audit program, all such changes have implications for doing budgeting and making plans accordingly. Finance manager explained further:

*“One big change is that the electricity bill has been reduced by 30% after one month of implementation. The key reason was because the method of calculating wages changed. Some workers (almost 50 employees) only need to spend half a day to finish their work (normally in the morning), following the 5S method which cleaned everything in his work site.”*

So, the German management control has influenced financial office behaviour and financial office has shaped workers’ behaviour along with the overall management control changes. Overall, this indicates that management control system development is complicated as different actors and actants become networked into a common task, but this development has been controversial as new ideas contradict old practices. But as times goes, the system was constructed as an acting network for the system to work collectively.

## **6.5. Nature of the context specific tension**

### **6.5.1 Early system**

As I have shown, the early system of management control was based on owner’s experience with previous business undertakings. This had developed an informal system of management control in which the owner had a commanding authority to determine everyday practices. This form of control was also shaped by the political ideology of the country so that employees in the company were always loyal to the ideology of production, its development, and sustainability. One worker described this:

*“As we are living with this company, we wanted to work hard while following all advice by the top management. Top managers show you what to do verbally so that we follow them. Sometimes, they change the instructions for different tasks. We again follow them. Yes... we want to see the growth of this company...we are living with this.”*

In this way, we can see that the controls were shaped by a system of everyday informality based on the desires of the top management. The tension here is less visible as the workers are loyal and submissive to top managers' instructions. This was evidenced by the statement made by an operations manager:

*“It is up to us to provide necessary instructions for doing things differently on different tasks. Workers understand them properly as they are experienced and like the job. They don't have any issue in following those instructions. I cannot recall any problem with them. You mentioned tension ... No, there is no tension... I cannot see any issue of that kind...”*

Although there was less tension between the workers and managers, there was still tension between managers' adaptation of informal management controls and increasing impositions of government regulations on labour laws and environmental issues. As the Chinese economy was growing fast, FOBs engaging in manufacturing had been subject to follow emerging rules and regulations. Given the nature of the context which has been shaped by Chinese political ideology, managers had a mindset of adhering to those rules and regulations with a sense of national pride. One manager explained this:

*“These rules are useful for us to think about how workers' matters should be dealt with. We are also learning now what new regulations we have about the environment but when new things are coming in, we need to change some of the things or start some new things. But this is okay for us. We are all committed to follow them. We are all citizens.”*

This mindset seems adaptable to new changes resulting in less tensions and controversy.

Nevertheless, as a set of non-human actors, government rules and regulations tended to network with human actors in the FOB. This network faced changes, but they were better managed with the human agency's influence - the sense of

national pride the workers and managers maintained. From the managers' standpoint, this network was aimed at 'getting things done by the workers' showing that the network manifested a workable labour control system characterised by less tensions.

### 6.5.2 Present system

The nature of specific context which allowed a system of informal management control was gradually subject to increasing tensions due to the involvement of customer's specifications and quality audit standards. There was thus a question as to how a system of informal management controls in an FOB like the one I studied can cope with some 'formal' arrangements imposed by those specifications and standards. This situation led to both competing tensions and complementary tensions as the researchers taking institutional logics showed (cf. Smet et al, 2015; Damayanthi et al, 2020).

A competing form of tension emerged after signing the contract with the new customer based in Shanghai. Their new product specifications stemmed from GMC and the required quality audits was a challenge for an informal management control system which prevailed over the years. While the early system was largely governed by the family members who owned the company, now the imposition of new specifications and standards developed an unexpected tension between those externally imposed non-human actors and the prevailing network governed by family members' informal imperatives. One manager explained this challenge:

*“Yes, this is a challenge, but we have to face it. The problem is that workers are not trained. Yes, these are new to them. New guides are a problem for us. They don't match with what we have been doing. This is what we have now as a challenge.*

The challenge the manager mentioned characterised the nature of the tension the managers confronted. As this is a challenge, it developed a competing form of tension, but it was a learning curve for them to encounter. This is understandable as the context was informal and the emerging practices demand more formal procedures which cannot be neglected or modified.

As the same time, this competing form of tension had been transformed into a complementary form due to the development of the acting network. Both the human and non-human actors in the network interacted with each other to learn what is emerging. Hence, even though the tension was a competing one during the early days of learning new practices, the network had operated as a management control system through the involvement of those actors' will and their networking efforts. This had led to a transformation of competing tension into a complementary form. One manager commented on this:

*“It was difficult for us to learn new things. Our practices were very local, not very much international. Yes, it was a big challenge. We were anxious about this. It was a big worry. Now, it is okay. We have learned these better. It is a challenge but we support this very much. Because we have learned them better. GMC is now our bible.”*

In this way, tension developed in the network was not a static phenomenon. On the one hand, it is a challenge as the beginning leading to a competing form. On the other hand, due to the ideology the people maintain, this competing form becomes a complementary form as people do not agitate against new developments. Instead, they are prepared to learn and accommodate new practices into the prevailing system of management control. However, the new form of tension persists due to the established informal practices maintained by the FOB.

## **6.6 Summary and conclusion**

In this chapter I have gone through an analysis of how a management control system was developed with the influence of the customer company. The elevators are sold in the Chinese market and are exported to countries such as UAE, Europe, Kuwait, and India. This factory is one of customer's supporting suppliers and the customer has high demands on quality assurance. As the company produces many types of elevator parts and components, different specifications and requirements are needed. The parts they produce include overspeed governor, guide rail, controller, car guide and rail bracket. These require very high requirements on the accuracy, strength, and process technology of supporting parts. Therefore,

the customer required the company to follow specific quality and product specifications and government regulations.

These requirements were introduced in the company in the form of guides, reports, ideas, and practices. These had problematised the existing practises and created room for discussions and negotiations for new practices through an acting network of human and non-human actors. As a result of the development of local network in the company, there emerged a new management control system. Hence, I can argue that management control system even in a family-run business, like the company I studied, cannot be an independent system being developed according to the will of the owner and the desires of respective managers. As the world is so competitive, the customer and the government create a variety of regulations, rules, ideas and practices which become inscriptions for constructing a local management control system. As was seen in the chapter, all such practices culminated in a budgetary control and a planning system which was networked with quality and production systems being developed. With this understanding, in the next chapter, I will discuss how management controls can be defined as an obligatory passage point which has been developed by this acting network.



## Chapter 7

### Management controls as management of tensions

#### 7.1 Introduction

*“Control and order are ‘always in tension’”.*

(Quattrone and Hopper, 2005. P 739).

The previous two chapters dealt with an empirical analysis of how management control practices were developed in the case organisation. In the analysis in these two chapters, I focused on two important aspects. In one was an analysis of how political ideology of the Communist Party of China and the associated legal environment for doing business was embedded in the construction of management controls. This analysis, presented in Chapter 5, showed that management controls cannot operate according to the will of the owner, even if the business is family-owned, and the scale was relatively small or medium. The other set of aspects was the customer quality and production requirement packages. These were imposed on this business, as was presented in Chapter 6, from which I was able to elaborate how customers' expectations further shape management controls. In both chapters, I used ANT as the theoretical perspective to conceptualise management controls as an acting network within the organisation in which an obligatory passage point (OPP) was developed.

Moving forward, in this chapter, I will analyse how a local network of actors was collapsed into a tension as the actors had to deal with the issues in the OPP. As I will elaborate, on the one hand, the OPP is a result of a local network acting towards defining the problems of management controls and finding solutions to them. When the actors come to adhere to both government regulations and customer requirements, local actors become obliged to find a way of working towards making daily controls. Hence, in this chapter, I will argue that management controls can be regarded as constructing an OPP where the problems are identified and for which solutions are developed.

To achieve this objective, this chapter is organised as follows: Section 7.2 provides a reflection on the instances of tensions. This proceeds to Section 7.3 to show how tensions were developed through the development of OPP. In Section 7.4, I will then discuss how OPP is linked to the practices of management controls in an organisation like FOB and in 7.5, I will show how the ideas were enacted through the working network of actors. The chapter will culminate in a summary and conclusion.

## **7.2 Instances of tensions**

Given the importance of political intervention and management control in a developing country, a political economy approach received a lot of attention in this type of research (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Wickramasinghe, 2015; Alawattage et al, 2019). Hence, according to these researchers, management controls must be understood in its structural context. Tensions between employees and capital as well as between state and organisations were seen from such a structural perspective. For example, Wickramasinghe and Hopper (2005) argued that management controls in a textile mill in Sri Lanka was shaped by a cultural political economy developed in a village culture. Despite the changes occurred through privatisation of the mill, these structural factors did not permit a smooth transformation of management controls. Instead, the mill had to be closed as the changes occurred through privatisation did not eliminate the effects of those structural factors. Same was the case in other studies in developing countries as was shown earlier in Chapter 2 (see Uddin and Hopper, 2001; Alawattage et al, 2019).

While those structural analyses must be regarded as an important development in this branch of research, there has been little studies considering post-structural perspectives. As was shown in Chapter 3, Latour argues, in contrast, that to most science and technology theories which focus on the factors that impact on technology on social sciences has a post-structural perspective. He treats humans and non-humans as equal interrelated actors at micro levels to explain how actors cooperate technology in heterogeneous networks towards creating some practices such as management controls. He explained that technology or technological procedures shape human action through humanising (or anthropomorphising)

technology but what is crucial is the chain and actor's action in this interaction between technology and humans (Latour, 1992). This idea of technology-human interactions has been increasingly employed by many management accounting techniques and practices around the globe as is evidenced in the practices such as activity-based costing (Briers and Chua, 2001), balanced scorecard (Cooper et al, 2017), ERP (Dechow and Mouritsen, 2005), accounting regimes (How and Alawattage, 2012) and so on. Such studies have looked at the relevance of management as a technical control in workplace so that management controls can operate at a distance. Hence, according to this perspective, management control cannot be studied by deviating from its impact of technology and related context, technological and managerial improvements, and accounting system changes by local and global actors (see chapter 3).

However, as was highlighted in Chapters 2 and 3, little has been studied to illustrate how management controls are implicated in continuous concerns regarding the management of tensions in such a network where technologies and humans interact. According to Quattrone and Hopper (2005), "Control and order are 'always in tension'". These tensions are obvious as emerging technological procedures can threaten the traditional ways of practising management controls based on people's rule of thumb. This threat, as shown in Chapters 5 and 6, is collapsed into OPP in which tensions can be managed. Therefore, this thesis argues that management controls are not merely a technical practice: rather, they are about managing tensions. By adopting ANT and OPP, this thesis aimed to explore how domestic politics, customer relations, external pressure, and local network controls influenced management controls on the day-to-day activities in FOB in China. It focused on analysis of how the day-to-day activities shape and was shaped by these factors, especially how a local network was developed to solve the contradictory situations through interventions and negations.

Nevertheless, I must acknowledge that there is an emerging body of literature that focuses on management controls to discuss the situations of tensions as I showed in Chapters 2 and 3. Löfstål and Jontoft (2017) offers a rich description about tension in a context of management control and innovation. They have categorised management control tensions with types, purpose, and use, and discussed them based on different theoretical perspectives but there was no

discussion about how these aspects can be located in the context of OPP. However, this empirical material was useful for me to reflect on developing ideas of tension around the issues of OPP. Sitting with this, there were some other papers which are also useful and interesting. For example, Davila (2000) studied management control and uncertainty, and explored the tension between financial and non-financial design of management control systems. Ezzamel et al (2007) analyse the conflicts between political ideology and accounting changes in China, as adopting Western accounting concepts against the Maoist political ideology created a kind of tension - the Western concept is capitalist exploitation. In this way, tension refers to forms of conflicts, contradictions, intense political debates which lead to challenges, changes, uncertainty, risk, problems, and difficulties. But the relation of management and tensions in FOB is poorly understood in developing countries, as I highlighted in Chapters 2 and 3.

In my fieldwork, such tensions were found as I explored the role of government and customer through interviews with different employees, reviewed management control documentations, and observed daily practices of management controls. After analysing the interview data, I found that four main pairs of tensions have been managed between actors in local network, including the tensions between government regulations and customer interests, tensions between both actors and local network, tensions in implementation of MCS for controlling and MC strategy, and finally the tensions in local network with controlling behaviour. Hence, this section will describe these four tensions, more importantly, to explain how local network manages and balances these tensions based on their day-to-day practices.

### **7.2.1 The tensions between government actor and customer actor**

#### ***Environment control***

Since China's reforms and opening in 1978, it has experienced rapid economic growth and remarkable pace of industrialisation. This resulted in a mushrooming of manufacturing industries. Abundant and cheap labour, widely distributed and huge natural resources make China being awarded the title: "World factory". Massive amounts of fossil fuels including coal, petroleum, and natural gas have

been consumed. However, the lack of technical and independent intellectual property rights makes the Chinese manufacturing at the low end of the industry chain. Western developed countries take advantage of it and move high energy consumption and low value industrial transfer to China, which inevitably produce an irreconcilable conflict with the environment. A number of academic research in China and abroad discussed pollution issues. For instant, Yang and Li (2018) evaluated the industrial waste in raw materials and poor control efficiency that have caused air pollution and threats to human health and sustainable development.

I was born and bred in the town where I had the fieldwork. The town is made up of many villages. The weather used to have blue sky and snow in winter. Cultivated land consisted of wheat, rice, vegetables, and trees. It had rivers, ponds, and frogs. In the past 20 years, the factories slowly bought land from the local government and residents to build more factories. The factories included industries such as automobile and auto parts manufacturing, plastic processing plant, textile factory, garment factory, and a pharmaceutical factory. Most of the young and middle-aged residents took the money to buy flats or build big houses in town, only the old ones chose to stay in the village. In the meantime, other rural areas in China were developing industry in a similar manner. Black smoke coming out of the factory chimney is a typical phenomenon. The air gets really bad without blue sky. I have realised the environmental pollution is serious in people's lives with the busy life and high-rise buildings. I went back to China several times, and the air pollution was so bad from 2014-2017 that I couldn't see the view outside from the window in the airplane. I did not know the airplane had landed until I felt wheels of the plane landed and the captain's broadcast was heard. This time when I went back to hometown to collect data, the drinking water tasted silt and other chemical material, but sky gets clearer and "bluer". May be people know pollution is everywhere in life, but there is nothing they can do to make a big change, as industry is the biggest source of pollution.

Then, on June 1<sup>st</sup>, 2008, the country has implemented the "plastic limit order", prohibiting the production, sale, and use of ultra-thin plastic shopping bags and the citizens had to pay for shopping bags (2 pennies each). In 2017, the State Council issued a law to refuse acceptance of foreign garbage. Shanghai has issued

restricted vehicle regulations prohibiting small passenger cars (the one normally used by family), small passenger cars with temporary driving license plates, non-passenger taxis, and small passenger cars driven by drivers during the internship period from other provinces and cities (excluding Shanghai) from passing through the city of Shanghai from Monday to Friday from 7:00 am to 10:00 am and from 3:00pm to 8:00 pm. Only Shanghai household registration and those who hold Shanghai residence permits have the opportunity to apply for a Shanghai license plate. However, new energy vehicles can apply for new energy special licenses for free, and drive through the city of Shanghai anytime. The Chinese called it “Green license plate”. Also, new energy cars are exempted from vehicle purchase tax. These signs show political power influence and control of pollution. The environmental protection laws have implemented for the sake of individuals’ lives and industry. As a citizen, I can say environment control receives high attention from legislation department, and its implications on the actions of individuals and enterprise.

From another point of view, environment control is against economic development. According to general manager:

*“Since 2014, government has issued several environmental protection regulations. Industry is one of the biggest sources of pollution. The local government environment control office issued related documents to control pollution including air, raw material, water waste, and increase the control of corporate pollution emissions and increased industrial environment standards. Many small car manufacturing factories in this town have closed because they couldn’t pass local environmental controls and authorised checks, and the product couldn’t meet the environment standard. But such government regulation does not conflict with customer requirements and sustainability, as customer has higher environmental and production standard than the national standard”.*

Customers are important assets of the company, and this applies to any organisation (Gupta and Lehmann, 2006). Account can be taken of the fact that customers are different, a clear understanding needed for what customer wants and the needs for products and services. However, there are a few incidents that happened to affect production. The factory was shut down for a while as it

couldn't pass the government authorised environment checks, which affected supplying products to customer. It happened not only in this factory, but most of customer suppliers. The customer needs to give the supplier more time to complete this batch of orders. In the meantime, the factory proposed an increase in the price of the product to customer as extra money was spent on environmental protection that led to cost increase.

### ***Safety production***

Another tension is from government safety production rules and regulations. The difference in production safety between the government and the customer is, the former is more focussed on factory itself while the latter is focused on production process. The factory that was unable to pass government safety production checks has to suspend business for rectification, which is against customer interests. The government officers pointed out the safety issues. E.g., the site is unsafe as a working environment there is no emergency exit and no plate indicating this. Some workplaces are overcrowded with improper layout. The material stacking height exceed national standard. Obstacles block the fire exit. Ground is slippery. The factory must go through legitimately. All the problems have been fixed at the end, but it has postponed the delivery of products. Furthermore, local authority requires production and HR managers attend production safety training security checks, accident rescue training quarterly and pass the exams. According to the general manager:

*“Doing business is hard in China, as we have to spend lots of time with government officers to know the process and regulations. The business information is not entirely transparent and comprehensive as we still need to ask government staff. For example: at the first inspection from environmental protection department, we knew having the inspection from officers and paperwork describe the process, but we still have many places where we do not know how to fix. The inspection comes with few reports, each report indicates the requirements. After inspection, we will have a copy of the report with the places that should be fixed. The problem is, the report does not explain all details, only the officers know how to correct it. So, HR manager and I have to communicate with officers to seek for help. We visit their office*

*in the meantime asking other similar factories how they pass the inspection. The outcomes could be a fine, refurbishment, closure, or suspension of business.”*

Project manager addressed similar concerns. He said:

*“The ministry of ecology and environment issues new limits and measurement methods for emissions from light-duty vehicles” (CHINA 6) in 2016 (People’s Republic of China, 2017).*

This standard also indicated the specific plant restrictions, test methods, and implementation time for emission requirements. All the cars to be sold and registered must meet this new standard, which means if consumer buys a car below the standard, it will not be able to be registered and will be illegal on the road. Few small car manufacturing factories in town were closed as their products couldn’t meet new standards due to lack of technology and financial support to meet new national vehicle exhaust emission standards. Even if they still produce the car, it cannot be on road since customer will not buy it.

The objective of customer company is to make a profit and the government goal is to ensure economic stability and growth, and both of them are different but co-dependent. The government is trying to influence and persuade businesses in many ways for various reasons. As I have explained in this case study, government environmental protection, safety protection, and security checks have postponed customer goal of business, and these are the tensions between them. I will discuss how government involves directly and indirectly by implementing rules and regulations to shape the business practices and influence MC system.

## **7.2.2 The tensions between both actors and local network**

### ***Indirect and direct control from government***

In the interview, the production manager told me that the environmental protection department officers come to check the site with forms including the plant construction and find some building or design to be illegal. They also collect samples of “chimney”, industrial waste, and water to conduct lab checks on the pollution emission. This factory has been temporarily closed for two weeks as it



did not pass the government inspection. But the factory must follow the laws of government to run the businesses. So, managers communicated with government officers, consulted with experts on how to fix the problems. The company did some changes such as buy filtration equipment to filter wastewater and discharge it. Some operations that generate harmful gases or powders have hit a special house, so harmful objects will not escape. According to industrial garbage classification, scrap steel will be sold to recycle business. Non-recyclable garbage, such as waste plastic, rubber, glass, non-ferrous metal waste, industrial dust, industrial waste, ferrous metal waste, will be handed to environmental protection technology company with a payment. Moreover, after a one-time check, the special agencies created by government will monitor and control certain aspects of company activities. Therefore, managers decided to directly implement these changes to MC system.

Above is an example of how the government implements and controls the shaping of the factory activities by direct approach to create and implement laws and monitor its application in the company. Sometimes, the government approaches indirectly. For instance, the government sometimes tries to change company MC policies by their tax incentives. According to financial manager:

*“The government has issued environmental tariffs in 2018 and aims to control environment protection through tax. More pollutants and emissions mean paying more tax. Less pollutants and emissions mean paying less tax. The government environment agencies have professional technology for pollutant emission monitoring. Any company that reduces the concentration of pollutants will be given tax exemption.”*

From my understanding, this policy encourages enterprises to improve production processes and reduce the discharge of pollutants, especially the high-risk pollutants.

This brings the tension from government to local network. The laws and regulations, government agencies and regulatory bodies, trade policy etc., have influence over the company and directly or indirectly change company's day-to-day activities. For example: Production manager told me the company has purchased environment protection and energy saving equipment. To implement

MC, the general manager suggested to prioritise energy-saving and environment-friendly suppliers.

The tension is not only from government actor, but also from customer actor, and the MC in the company is sandwiched between two actors. For example, I observed the State Administration of Taxation had tax reforms in 2018, combined central and local tax authorities all in one. Later they reduced VAT from 16% to 13%, and both actions reduced the burden on company, but customer company has reduced 3% product prices, which led to less profits. It changed company's management control polices and the purchasing department will look for cheaper suppliers or price reduction with old suppliers.

### ***Incomplete management control norms***

Moreover, sometimes management control cannot decide who will be responsible for the problem. I asked the question: *"Is there any big issues that happened which the company was not able to solve it?"* According to quality control manager, there were big product issues that happened in site. He said:

*"In the summer of 2017, while the customer elevator installation team in site were doing work, a big elevator part broke into half which the customer thought as a serious safety issue. The email from customer warned the company that it will face a large fine and told this part of the product will not be needed anymore. The fine was 50 times the cost of the product, plus other liability fines, totalling up to 30 million RMB. This means that if this product accident is not handled properly, the company will go bankrupt. Each product or process is marked with worker job number, in order to identify responsibility tracking. My assistant and I, the worker who participated and the group leader, four people took the earliest flight, went to site immediately to have a look and discovered the reason. We left the company at 5:00 pm and made the site by midnight. In the meantime, we were consulting the other company suppliers who had similarly issues and noticed it was a serious accident. If we cannot find the reason and fix it, the company will pay the fine, which made all the employees anxious. We checked the product in site, turned out we followed the customer production process and drawing, and saw it should not have a problem. After staying there for three*

*nights looking for reasons, we returned back to company and prepared to have a meeting to discuss how to deal with the fine, and how to write the report to negotiate with customer company. After many meetings, our technical managers sent an email and argued that we followed the process, but customer design went wrong in this product. The same design is good on other products, but this is a new product, they all look the same, but using this model will cause serious accidents, so it is not our fault. Customer quality team read the report and admitted they did not consider this issue; therefore, it was not our responsibility. Finally, the client company revoked the fine, and the designer changed the design. But management problem has arisen, that is sometimes the management of the two parties is in conflict.”*

To me, this is a serious accident, but there appears one issue. There are parts or situations that are not covered by the management system in real production, and it is hard to trace responsibility.

Both actors forced the company on improving understanding for quality, production and financial control, safety and security, labour benefits, and environment protection. The rules, policies, and regulations pushed the company to increase efficiency and regulating management control. In this process, local network has to manage the tensions from both actors; the internal regulations and rules change accordingly.

### ***Financial measures vs non-financial measures***

The design of the management control system is configured from a set of technical controls in this company. It can be divided as financial measures and non-financial measures. Non-financial measures are short and long-term planning and control, performance evaluation, customer feedback and service, gathering information and supporting the decision-making. Financial measure includes product costing.

### **7.2.3 The tensions between MC strategy and implementation of MC**

With interviews I had with all managers, I confirmed it is the traditional role of MC for controlling that includes informal and formal controls which aim to help

company complete the production orders and achieve the planned targets. The formal control relies on using planning, accounting control systems, diagnostic use of accounting control, reward measures, and VDA 6.3 quality control which includes audit system and risk control system. Informal control is conversation with employees. I have categorised tensions in local network into two major groups. First is tension between people and people, second is the tension between people and MC strategy. These tensions appear in many places in management control system.

### ***Conflict between people and control***

I heard from workers that a few managers do not know some tensions or difficulties on balancing the controls or complaints: for example, the conflict between the employee and procedures. In focus group conversation, I heard the complaint from group leaders. According to welding group leader:

*“I am not entirely happy about the employee reward and penalty system with labour control. When an employee made a mistake, such as smoking in the toilet or in a no-smoking zone, it causes product quality problems as he did not follow the process, and the HR manager cannot treat it serious, because of fear of employees becoming absent from work or disappear for no reason.”*

In this town and the neighbouring big city, employers cannot receive workers' reference letters from previous employers or employee integrity system could know workers previous performance. It is quite important in manufacturing industry, as most of workers here are not well educated, not many of them have a sense of responsibility.

I went to HR manager to ask her opinions and how she deals with this. She said such kinds of problem increase the risk of company, but company makes several changes. To increase stability, the manger is trying to make flexible labour hours to allow shift workers between tasks. This is easily transferable across different sites of production, different time slots, and different skills categories. In addition, company has purchased more machines which not only replace labour, but also helps the financial calculations, such as cost management. The machines can predict the cost and extra investment and the company also created management control policies with machinery maintenance, for example, to have the local

engineer contractor with maintenance and repair schedule keep machine records. Training workers keep machinery clean. With machine, this is only having a matter with maintenance and mining the risk management. She continuous:

*“Young people do not want to work in factory, they want to stay in city with better working environment or start a business. They think working in workshop is hard with harsh management, and some young workers think it is boring.”*

I had my fieldwork in August, it was almost 40 Celsius in shopfloor, plus the industrial dust and machine noise harmful with many big electric fans on, but I still have an overwhelming feeling of discomfort, while in the meantime I cherish I am having an opportunity to study. I asked quality control manager, why the temperature in shop floor so hot? He responds:

*“The weather is hot in summer and sunny all day, no wind, so makes shopfloor hot too., but we have two hours lunch time, so workers could have a nap.”*

In addition, the management controls had some changes in labour contracts. The company used to hire temporary labour because of cost advantages and reduced company benefits and cheaper wages, but now, a long-term labour workforce by providing workers benefits beyond government requirements. As many workers come to work here are from far away provinces, the HR department also offers help and provide information such as: making connection with local education authorities, helping workers to enrol their children in school etc. In China, public school enrolment is allocated according to residential area. Non-local population must have temporary residence permits. Building for workers' living needs are redesigned, and staff accommodations are built in factory site. The staff accommodations allow up to 20 workers in 10 individual rooms. Each room has two double beds, with shower, kitchen facilities, and air conditioner. Expanded dining halls allow 150 people to eat free lunch and dinner in catering from Monday to Saturday. This dining hall is also being used as a place to host meetings for all employees every Monday morning to emphasise the sense of safe production, delivering best product quality, following company disciplines, and annual summary meeting at the end of year. For safety reasons, the company also relocated staff car parking area, and how and where to park is also written into company management control policies. Bicycles and electric motorcycles have to

be parked in the parking zone, and the purchase department purchased customised parking roof to help bikes avoiding rain and strong sunshine. Another place is allocated as workers' and visitors' car park. Trucks have a specified place to enable the loading of goods. I found a very interesting company culture. When I was going there to do my fieldwork, other managers told me, this is the parking spot for general managers, he used to park here, no one took his parking spot and it is a rule no one parks. To me, the traditional hierarchical management controls show the power distance on parking spot. These are part of the changes made after 2014 as customer requirements. According to general manager, most of the employee benefits are influenced by customer quality and production. During the process of passing VDA 6.3, the management levels have understood the importance of mining the labour risk for this type of project-based organisation of work. Alawattage and Wickramasinghe (2019) mentioned such forms of flexibilisation of labour, and named them skill flexibility and time flexibility, and developed the hierarchy of flexibility concepts in the post-Fordist systems of production and how management accounting is implicated differently in various elements.

### ***Conflict between control and technology***

Above is an example of the conflict between employee control and risk management. Another example from sales managers discussed risk control system that affected exploring new business. As risk management in this local network not only identifies and evaluates risks, but also reduces uncertainty on objectives and monitor and control the probability and impact of unforeseen events. Sometimes, it also minimises new business opportunities. According to sales manager:

*“My role is to build the sales plan, monitor the members of sales team, and bring business to the company. In this family-owned business, compared to a public organisation and other private company, my income is based on basic salary and performance commission, and multiplying the total amount by a certain percentage. This decision was negotiated with general manager which means the more sales I make, more income I have. This becomes the motivation and I strive to cooperate business with big elevator companies,*

*because they have stable and many orders. When I explored new business, this is also my job to see how we can do the business, the flexible machines, labour, and places. I engaged with some business but due to inability to go through risk management, then gave up, but my personal feeling is these are great opportunities. For example: the issues with cost increase the risk of company. For theoretical analysis surrounding the new business with business risk, the internal and external concerns have to be considered, and internal concerns such as cost management with investment. Also, buying new technology, software, research and development, new machines, hiring more staff, and kind of controls beyond the shop floor. External concerns such as political legislation changes and competitiveness with other companies. After such evaluation, I have to give up some ideas with new business opportunities.”*

As the sales manager, he is also responsible for helping and engaging to customer requirements. In the interview, he also mentioned he did not know how to deal with the customer requirements. For example, he said:

*“In the process of passing VDA 6.3, managers had many questions that they did not know how to answer. Except technical questions, many were administrative questions. Managers do not know how to fill some questions in the forms and do not understand. As I have the chance of face-to-face meeting customer quality and production office, other managers pass the important questions for me to ask.”*

### ***Conflict between people***

In this traditional hierarchical management control, power control runs from top to bottom. I found not only the tensions with technology and people, I also found the tensions between people and people. Some of the questions I have asked were: “Are you happy about current management control? Is there any suggestion you could make?” I have received different answers about suggestions, how they balance the difficulties. According to sales manager:

*“I also care a lot about the quality of raw materials as I am receiving the quality feedback from customer quality and production office. The quality issue, because of unqualified raw material, is typical. I have sent emails and*

*such emails explain to purchasing manager, but she does not care and told me she has already done the best.”*

Project manager also said:

*“When we start a new project, we normally organise a formal meeting. In this meeting, HR manager will briefly introduce the project, technical manager will highlight the important part, the part we have to pay attention to, such as the length, aim, and context of the project, and the role of managers in this project. But purchasing manager did not attend as she did not want to. I have sent the purchasing lists to her email, but she has ignored it. When general manager asks her about purchasing, she starts to purchase them at the last minute and says no one ever contacted her about what to buy. This has happened a few times and has increased other department workload and less preparation time. Due to her personality, no one would like to approach her. I have reported this issue to general manager, and he emphasised her the importance of teamwork, but no change. Other staff told me, the company is looking for new staff to replace her position, just still have not found the right person.”*

This is the one example in local network on the difficulties between managers.

Another pressure is balancing the incentive with working relations. The incentive management is based on staff achievements and rewarding individual employees. According to the goals set, a commission is collected by one person. The way to praise is certificates or a monetary reward. They see this as an honour, and it is very important for them. During the annual meeting at the end of year, the general manager will summarise what they have done this year, what is the plan for next year, what is the improvement, including awards for workers and managers. Each group will give two potential candidates, decided by group leader and production managers, as they know workers' performance.

*“I have received oral complaint about a few workers who, in order to win an award, have a good personal relationship with the group leader, something like saying nice words the group leader would like to hear, do the things that could make group leader happy etc. Some workers think it is unfair, as they are not good at communication with introverted personality, but they do a*



*good job. After a long time, they lost enthusiasm. When we are having a meeting with group leaders, the managers point out the need to be fair to each worker and give incentives to more workers with good work performance.”*

I feel this story is very interesting, as it shows human complexity.

They are little stories about implementations of ERP systems. It is one of the customer requirements to management control. As customer wants the supplier to have a better cost and performance management, they are advised to have computer networks and individuals' actions towards implementation of such a system. Hyvönen (2013) argued that ERP is not only a cost management technology, but also acts as a body of discipline, a professional and a control structure. Latour (2005) argues it is a control with multiplicity of information shifting panopticon. In this company, I see ERP as a data management system, bringing human and non-human actors' network into the field of surveillance and a system of management control and planning. Quattrone and Hopper (2005) see ERP as a surveillance activity, monitor subsidiaries and reduce distance, also visibility politics, homogeneity, and heterogeneity controls. To me, it is a similar situation here, implementing ERP, this working technology reduces the control distance between customer and suppliers. However, this continuous process of translation has many technological problems such as programming issues and employees' interests. In this case, implementation of ERP is of interest only to the financial manager and not to warehouse manager and workers.

According to the interview with finance manager:

*“I am very happy using ERP, as it could help me know the exact cost numbers, and better planning and controlling. I have been working in this company since it was established and had implemented this idea of ERP for years. But due to different reasons, it still has not been done. I had a little problem when implementation of ERP commenced as the warehouse office did not want it. They think it is too much work, and more importantly, they do not want other people to know the real number about purchasing, sales, and inventory. Some suppliers, in order to avoid the fine of unqualified products and avoid replacing unqualified products, will give financial benefits to all warehouse staff. So, no one can track, and unqualified products got replaced. As implementation of ERP, one of the customer requirements packages is, in due*

*day customer production representative will come to inspect the data system, to see what is inside ERP system, and find whether the relevant staff know how to use the system. So, this finally got resolved, warehouse staffs agreed to implementation of ERP, and relevant policies about ERP and warehouse management were written into management control system.”*

As per my information, ERP is a surveillance device that eliminates distance between the controller and controlled, increases management control transparency, and make performance invisible. It is another great example where the implementation of customer requirement packages changes local network during day-to-day activities, and eventually habitual work routines.

Controls can be formal and informal. Informal control in this company involves cultural controls such as laws, ethics, customs, and internalising certain norms and values. This type of control exercised implicitly by local network through regular meetings, conversations, discussions, and recent changes. I observed the actors sharing the understanding, building trust, and fostering strong relations. However, this socialisation process also has to balance the tensions. HR manager said:

*“The managers were trying to switch the calculation of workers’ wages from how many hours to how many pieces they made. Some workers from outside the province hesitate when making choices. They come from the poorest southwest provinces in China, where the border connects with Myanmar, Laos, and Vietnam. That province is famous for characteristic agriculture such as growing sucrose, tea, fresh flowers, natural rubber, coffee, tobacco, Chinese medicinal materials, and so on, but farmers’ income is below national average, so that many of the young adults come to rich provinces looking for jobs. In the company, we have around 20 workers from those areas. They have the trust with each other as fellow-townsmen, and they even rent the house in the same street, they will give consultative opinions to the peers who made a good money here. The production manager’s labour control experiences let her choose a few of them to be group leaders. I see it is an informal way to secure the control of labour. When the formal control encounters obstacles, she will have informal private conversations with group leaders to know workers’ real thoughts, their needs, and problems. Overall, I found one way*

*to resolve management control contradictions is negotiation. The negotiations can be informal and formal control methods.”*

I discussed the above four types of tension between key actors. Next, I will discuss the relationship between tensions and an obligatory passage point.

### **7.3 Development of an OPP**

#### ***Global and local networks through negotiation spaces***

As I have already mentioned, ANT has made advances in our understanding about how actors develop networks globally and locally, and how those networks work through local circumstances in the face of global influences. Law and Callon (1988), in their *Military Aircraft* project, explained about the “*use of the notion of network to talk about the interconnected character of the social and technical*”. They did not map interaction between individuals, rather they argued that the mapping of ideas which defines and distributes role, mobilise, or invent others to play these roles. More specifically, from social, political, technical characters which take different forms of people, organisation, technical, and machines (heterogeneous elements) to argue that the network is an implicit way of underlining the social and technical relations. In this thesis, following the framework I developed in Chapter 3, I analysed the fieldwork data in those theoretical terms.

Many of the key actors had been mobilised in this discussion. As I showed, on the one hand, political and bureaucratic controls on the part of the government actor provides laws, policies, and standards. These led to the development of production and safety requirements to be implicated in the overall management control system of the FOB. A senior manager commented:

*“Government regulations are a driving force. They make us think differently. We are now abiding by a rule when it comes to doing HR side of it. Also, we have something to follow as there are written guides or rules. And we have a production side of it. We cannot do it without following rules even when we have a safety issue. There is a specific thing to follow.”*

Hence, government rules and regulations act upon management control through the mindset of human actors. To the extent they understand, accept, and adhere to these rules and regulations, they become an actor in the acting network. To the extent these actors work together, as ANT perspective articulates (Law and Callon, 1988), its strength of interconnectedness operates to construct a system of management control. In this way, government as a non-human actor, becomes a 'social being' for the effective operation of this control system. The owner of the FOB explained it in his own words:

*“Although we are a family, I mean my wife and me, we have rules to follow. They are good because they work for us. Otherwise, we need more people to set our own rules, or we need more supervision to get people work. Sometimes there are difficulties to learn but they are alright now. They work for us.”*

Hence, government acts through rules and regulations as they work for them like other actors. In other words, they are not just rules and regulations - they have a sense for working as actors and with other actors. Consequently, as I will elaborate later, management control system works through the enactment of this network which bypasses the internal boundaries of the FOB.

These findings extend our understanding of ANT-inspired accounting research. While government rules and regulations are inscriptions - a figure or a diagram which can operate at a distance - which enforce human actors to network with (Robson, 1991; Martinez and Cooper, 2012; Busco and Quattrone, 2018; Cooper et al, 2017), there are a few studies illustrating how government rules and regulations become inscriptions which can perform this networking role. What I found here is that, as these rules and regulations which have become inscriptions, the network so developed become a system of management controls. In other words, there emerged a system with inscriptions in terms of 'rules and regulations' which interact with and enact the other forms of objects to construct a system of management controls. Exploring how management controls are constructed, previous studies such as Preston et al., 1992; Busco and Quattrone, 2018; Cooper et al, 2017; Zawawi and Hoque, 2020) neglected the roles that government rules and regulations play in the construction of management controls.

On the other hand, on the part of the customer as an actor provides industry specifications regarding quality assurance which supplement safety features that government regulations impose on. Working within a global network of actors who develop these specifications, customers would not concern themselves with the detailed development of the manufacturing process, and neither would they interfere with its internal running. They only seek satisfactory performance for a return of required products with stipulated quality features. Therefore, the actors in global network usually grant the management control a degree of autonomy through what is called by Callon and Law (1988) a “negotiation space” which allows local network to be built. This was better summarised by the owner of the FOB:

*“There are other regulations from the customer side, but these are not like government regulations. We can discuss customer needs. Mostly, we want to know what we need to do. Sometimes, we can negotiate certain things. This is because of our way of doing this.”*

Consequently, both the government and the customer networked with the local network consisting of social and technical aspects. These actors included the company structure, managers, and workers as well as other technologies and various ideas such as quality control, production control, and employee control. They all come together as a system of control. We also call it “negotiation spaces” between local and global networks. Those controls have been influenced by government regulations and customer requirements - two key actors, as I had already explained. The government regulation informs this local network that they must adhere to the regulations relating to the business environment. For example, recently, the environment protection control and labour controls have been emphasised. At the same time, the customer requirements inform the local network that it must adhere to production and quality control.

Again, the above specifications and quality requirements operate as a set of another non-human actor because they are now working as inscriptions. These inscriptions act at a distance to modify local practices along with other inscriptions such as rules and regulations as well as ERP-led digitalised practices. Even though prior research in management controls (e.g., Preston et al, 1992; Busco and Quattrone, 2018; Zawawi and Hoque, 2020) used the ANT perspectives

to explore how control systems are constructed through networking efforts of acting network, there has been little research on how inscriptions on public ideologies and consequential rules and regulations become networked with quality and safety requirements towards constructing systems of management controls. When the businesses operate through FOBs such as the one, I studied, such networking efforts are always possible, but it has not been explored so far.

Hence, the construction of management controls that had occurred in the FOB I studied is significant. In this construction, there were three important tasks being assigned to the local network.

First, to make sure the business operates under government's controls so that the business activities must change based on upcoming new regulations. However, sometimes, it is challenging as the process is difficult for the business to change their control system instantly in response to such new regulations. Nevertheless, this adaptation has generally been successful in this company, but it required a lot of negotiations at a huge cost. These negotiations have been successful only when the management control system was prepared to change in the face of such new regulations. Hence, what I found was that management control system operated very flexibly as these negotiations have created this type of management control culture in this organisation. As the top managers had no autonomy to maintain a very traditional and inflexible management control system, the negotiations and resultant flexibility was possible in this organisation.

Second, to meet the customer requirements within the time by maintaining the required quality. There were difficulties in this regard. Mainly, there was the question of technical support with the implementation of the German management control system on production, and quality requirement. Simultaneously, there was a need to ensure that the company delays the customer production delivery when conflicts with government environment protection control arose. For example, both production lines need to be refurbished to meet industrial waste discharge standards. One assembly line will be refurbished first, and the other will double the time for production. It is necessary to discuss with the workers and arrange the time. A division of labour was evolved that reflected the relative skills of two teams: the manager team fix and manage all the issues including technical components issues, production and cost effectiveness,

negotiation with customer and government, and ensure workers would perform in the way demanded, while the group leaders and workers' team implement every detail of high-quality safety production according to managers. As was elaborated in the previous chapter, these instances show that management control system is a constructed one rather than one operates based on the will of the senior managers. Local network needs to be adapted to the will of the global network in this regard.

Third, to meet the company profit and performance objectives within the cost and time and ensuring it's healthy. The managers' team analyse the performance and profitability, demands actors' different requirements. These two layers of pressure have shaped and reshaped the local network. For example, in this local network, human (managers and workers) and non-human actors (technologies, ideas, control mechanisms) work together as a network. Actors and network through government and customer influences, and company reactions (employees and management ideas) are developed as a management control system. All such instances further confirm that management controls cannot be merely operated as a set of technical procedures based on traditional textbook-like management control ideas such as just having a budget and evaluating performance accordingly.

### ***Negotiation space***

However, there are various tensions between them. Local network manages the tensions to achieve company objective. For example, when tension occurs between government and customer, the government actor may want the environment protection, but the customer actor may want production according to their specifications - there is a conflict when this happens as the production may produce heavy industrial pollution which is a concern for the government actor. The tension between customer and workers; the customer quality and production control has increased labour control, as standards are higher. The tension between management control and budget cuts; to achieve the requirements of both the government and customer, financial office found the cost budget has exceeded the budgeting plan. As I understand, to achieve the company objectives, the local network faces uncomfortable situations with tensions, conflicts, and intense fierceness from different actors. Therefore, the

management controls system is managing controls, employees, and management technology rather than managing tensions.

Then I had a question: *“How does the organisation take care of all the conflicting situations? How does the local network respond? Any changes in organisation’s accounting and productive activities? Why does this happen?”* With all these questions, I followed networks of actors, actants, and allies, and investigated the activities on management change while focusing on the role of government and customers, who are also the actors within local network. This was necessary according to the epistemological strategy I followed in order to use ANT as a theoretical framework. Consequently, what I found was that management controls behave in this way only through the construction of a negotiation space.

For this to happen, the FOB had its own position. As a small business with other suppliers to compete with, the negotiation space is usually confined to everyday tasks such as date of delivery, possible changes to be made to the order and its prices. However, how their specifications and quality standards can be followed within the circumstances of the FOB can be negotiated. For example, one operations manager commented on this as follows:

*“Yes... it is tricky. We cannot reject their specifications. We cannot avoid following them. Instead, we can change how to follow them; how to use tools and techniques but within the specifications. So, we discuss and agree; actually, we negotiate with them. We have such discussions all the time specially when they visit here. We can do this as we have been working them for a while now.”*

The nature of this negotiation space has implications for the nature of the tensions I have been discussing. Despite the negotiation space available, as I will show later, there is an OPP in terms of the imposition of specifications and standards which cannot be neglected at all. Hence, negotiation space does not eliminate the need to follow these requirements. Rather, they enjoy a space in which they follow these requirements within the management control system being constructed through the acting network.

This negotiation space is invariably linked to the global and national level requirements. In the national setting for this discussion, the customer is theorised



as a global traveller, and it is a multinational company operating in more than one country and sells the products and services to more than one country, and it is globally connected with business and power. The organisation is theorised as a local network, it works for global chains and for organisations (headquarters) that are linked to global chains. How does the global actors and local actors are connecting with each other? Hence, an OPP is being developed in management control system, and negotiation space has been set up and allows local network a degree of autonomy from the global network of actors. Many activities have been involved in the exercise of building “obligatory passage point”. For example, for production department, re-equip the production equipment to increase production efficiency to control environmental pollution within the scope of government requirements. For finance department, as the changes from both actors, more money is spent on production and employee benefits, the budget and cost exceed the financial plan. It changes the way to calculate the wages. For HR department, it increases the employee training program and regular meetings.

As the negotiation space operates so, the tension being developed is complementary, but it cannot be eliminated because there is no change in the specifications and standards to be followed. It is only complementary in that the FOB could customise the implementation part. Hence the tension, which is conceptualised below, is moderate but it would be problematic if any of specifications or stands were neglected or mis-followed. The operations manager continued:

*“Yes, we have a tension but it’s alright. Yes, it is a kind of discussion. As I said, we discuss everything when it is possible. But we cannot play a game here. It is serious. Otherwise, we will lose the contract. There are others who could do the same.”*

In this way, tension is a management one within the context of informalities the FOB had developed in the past. Despite such informalities, as mentioned above, the managers cannot ‘play a game’ out these possibilities of negotiations. Hence, management controls are about the management of such tensions which I conceptualise in more details.

## 7.4 OPP and MC

### *Management controls: an Obligatory Passage Point*

I have discussed how the idea of OPP was used by accounting researchers (e.g., Cooper et al, 2017). However, as was mentioned, there has been little studies showing how systems are constructed or fabricated (cf. Preston et al, 1992; Busco and Quattrone, 2108; Martinez and Cooper, 2012). Previous studies explored how systems of controls can be constructed through processes of translations (Preston et al, 1992) and through developing OPP (Cooper et al, 2017), but we know little about government's rules and regulations as well as customer's specifications and standards that can become inscriptions through a negotiation space while creating an OPP because of the gravity of those inscriptions. In that sense, management controls are about managing tensions being developed through OPP. We shall discuss this in more details now.

I have argued that the management control is not only a technical thing, rather it is about managing the tensions I highlighted above. I have traced how actors were constructed or mobilised to fit into local network. I have shown how an autonomous negotiation space has been created, and a socio-technical network designed and brought into being without constant interference from outside. Management control in this local network would act as an *Obligatory Passage Point*. All the translations between local and global networks, between different key actors, between the project and outsider will pass through this management. The management is acting as a substitute for control of power involving generic process of management, decision-making to achieve goals, setting objectives, implementing the chosen strategies, etc, rather than negotiating with market, bureaucracy, and social groups. General manager commented:

*“We have to negotiate with government, customer, and workers. Therefore, we need to get to know the management control technical issues such as ERP, VDA 6.3, advanced system and production requirement from customer, what happened with customer, how to being a good supplier, and explore more good business. Overall, it is dealing with all the problems, progress, and all contacts.”*

It is assumed that autonomy for negotiation space could help the management between the two networks. But in practice, it has faced two main questions. First, does the company have technical and financial ability to demand government policies in due course? For example, environment protection, tax, labour benefits, and safety production policies. Second, does the company has the ability to pass customer production and quality requirements, as it is not only the social, but also the requirement of technical features of managers and engineers' work and the allocation of detailed jobs to each worker? Local network behaviours are running throughout the social and non-social, and simultaneously shaped by them.

In this company, neither the government nor the customer was able to impose themselves as an Obligatory Point of Passage. So, management plays the role of design and translation between global and local network. For example, the general manager and HR manager were appointed to be responsible for collecting newest regulations and requirements in practice, and all the employees were in a position to control or process to elaborate a network. This situation has appeared in many places in this company. The production managers, quality manager, and order planner have to make sure that delivery of the item is on time. The financial department has to ensure the business profitability, cash flow, and time for budget cuts. Sale managers makes sure to bring enough orders and pay attention to other supplier companies. All the managers have to improve current management control procedure and discuss in the meeting for implementation as company policies. Worker safety and production issue, delivery items on time, and reduced cost in production are always the important topics in management. In China, small companies have not been able to get enough support and attention from industry associations and community, so companies need their own relationships to seek help.

Moreover, the managers and engineers tend to meet both actors' requirements. The problem here was that staff are not able to resolve the problems or meet the requirements by themselves, they do not know how to do it, and they need help. In addition, the customer always has higher environment protection product requirements than government does. As the product will ship to developed countries, those countries have higher standards than Chinese national standards. Again, meeting both actors' requirement has increased cost. Cost on the

replacement of machines, product inspection fee, and raw materials continue to rise in price with market conditions and others and leads the profit rates to drop, and there were even no profits for a few months. Therefore, managing all the tensions, issues, and contraction to impose two actors into an obligatory passage point resolve all seriously technical and social problem to build the local network.

However, the most serious problem is that customer side also do not know how to answer some questions in management control process. For instance, the management control system was borrowed from the German auto industry, but it does not fully cover all the management details. Customer side managers in China are in the middle of learning process as well. Some conditions work in Germany, but not China. I mentioned the serious production incident earlier, where customer side was not clear how the incident happened according to their design. On the other hand, the German management control system required by customer only covered production and quality, and the manufacturing by the industry. However, it does not cover labour control, new production development, collecting loans from the bank, decision-making, budgeting, procurement, supply, storage, economical use, comprehensive utilisation, etc.

Compared with government control, the company could gain experience from other factories through communication with local officers to solve most of the problems. However, customer requirement is different. Most of the small and medium enterprises in China do not receive enough financial and technology support from government. Due to financial issues, the initial scale of the enterprises is small and weak in strength and lack core technology.

These attribute in the situation of adopting government's rules and regulations and customer's product specifications and quality standards. The literature on management controls has rarely studied such situations despite there has been a flood of studies showing how developing countries cope with external pressures (Wickramasinghe et al, 2004; Wickramasinghe and Hopper, 2005; Hoque and Hopper, 1994; Uddin and Hopper, 2001). As I showed in Chapter 2, most of these studies in developing countries have taken a structural approach to theorise management controls neglecting their micro-level constructions. As I have now illustrated, when taking a micro perspective, I could see that management control systems are not mere reactions to the structural requirements by policy makers

or transnational organisations. Rather, they are constructions in an acting network. Such a network is not a free association though. There are struggles, conflicts, and difficulties when these networks consist of both local and global actors (cf. Briers and Chua, 2011; Jones and Dugdales, 2002). In the FOB I studied, there was a global actor holding globally accepted product specifications and quality standards. Within the FOB, this actor joined the network to associate with the inscriptions imposed by the government and political ideology the people had. At the same time, there was a 'free' association among the family members to insert a kind of informality. Hence, the network is complex, and sometimes, competing, and conflicting. The OPP was useful to capture these issues and to theorise MCs with an extended perspective. Such an analysis is thus an extension to the recent work by Busco and Quattrone (2018), Cooper et al (2017), and Zawawi and Hoque (2020). The specific contributions will be highlighted in the next chapter.

## **7.5 Summary and conclusion**

This chapter explored why FOB management control practices in developing countries happened in this way and operate in a particular manner under certain circumstances. It also explored the problematisation of the management control, local political struggle between different actors, and difference of power force. By adopting Obligately Passage Point, I explained how the company manages management control, and argued management control is not only on technical things, but also managing the tensions. Firstly, I summarised the tension between government actor and customer actor, the tension between management control and implementation process, between management strategy and other measures, and between technical and social. No one has done this before. I also illustrated what kind of situations a family-owned manufacturing business in developing countries face from political authorities to industries business, to workers. The internal and external factors and environments could influence business growth and development. Secondly, I have used a network vocabulary to describe the implementation of government and customer requirements in local network, how informal and formal control mechanics shaped and reshaped the management control and explained why the management controls exist and operate in a particular manner under certain circumstances. Finally, as a theoretical

generalisation, I defined management control as Obligatory Passage Point, the role of problematisation in process managing political tension OPPs. A negotiation space to allow local network to be built. In this autonomy for negotiation space, the company manages political tension, all managers and group leaders transformed and reconstructed the management control and accounting ideas and techniques and a social theory to explain why such things happened, and how a network is developed between local practices to global movement. In the next chapter, which is the final chapter, I will make a discussion and a conclusion where I will summarise my understanding of the research in relation to the research aims, highlight the contribution made to the stream of research I consulted, directions for further research in this area, and the implications for policymaking in China and beyond.

## Chapter 8

### Discussion and conclusion

#### 8.1 Introduction

As I outlined in Chapter 1, the aim of this research has been to contribute towards an understanding of how management control operates in a family-owned business (FOB) in China and how the local network connects with the global network in the construction of such a form of management control. To this end, this research adopted an ethnography as a research design and a single case study strategy in order to collect and analyse the data. The epistemology behind this was a reliance of an interpretive approach where actors and their views form a bank of data for a sociological analysis, drawing on actor network theory to see management control as an obligatory passage point, and to understand a process of problematisation of the technology and an exploration of how a local network has attempted to channel the government regulations and customer requirements. It was through setting up some negotiation spaces between local network and global network that allows a degree of autonomy for the construction of management control. Consequently, I argued that management control is not only technologies and ideas; rather, it is about managing the tensions and the politics which are external to the company.

This chapter is organised as follows. Section 8.2 will present an overview of the research while Section 8.3 offers a reflection on the findings. These proceed to Section 8.4 highlighting contributions along with a highlight of future directions for further studies and the policy implications of the current study.

#### 8.2 Overview of the research

As was outlined in Chapter 1, this thesis aimed to report on an understanding of how an MC system was constructed in the context of FOBs in China. China implemented Deng Xiaoping's "the Open-Door Policy" in 1978, and in the years of development that followed, as was described, China has become an attractive and emerging market for international business and was perceived as "the world

factory”. The private sector has been the driving force behind China’s remarkable growth, and family businesses account for 85.4% of China’s enterprises (Yang et al, 2019). Management control has been studied widely and used in developed countries; however, little research has been done by qualitative research written in English about management control in developing countries, and China is one of those. Hopper (2009) highlighted the need for still more management control research in developing countries. While research on management controls in developing countries is substantively advanced, as Hopper et al (2009) have shown, the researchers in this stream of studies (e.g., Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004; Uddin and Hopper, 2001; Hoque and Hopper, 1994) looked at the re-construction of management controls as response to economic reform programmes in the 1980s and 1990s. However, how such reconstructions within FOBs in developing countries can occur is a neglected area of research. Particularly, as ANT-inspired accounting researchers have shown (see Justesen and Mouritsen, 2011), little is known about how actors and their networks produced MCs through their everyday practices. Hence, this researcher aimed to explore how management controls are practiced in an FOB in China through such acting networks of human and non-human actors.

In Chapter 2, I examined the literature on management control research covering a review of the concept of control in management controls, the development and maintenance of management controls, technologies and controls mechanisms, and different approaches used by researchers. This overview of MC literature gave me a background for me to undertake a review of management control research in developing countries and such studies within FOBs. The review suggested that most MC studies paid attention to the reconstruction of MC in relation to the respective countries’ responses to economic reform programmes imposed by transnational organisations such as the World Bank and IMF (see Hopper et al, 2009, 2017). Moreover, I reviewed the studies on FOBs within developing countries showing how family spirits are paramount in daily practices in management, but there were little studies showing how practices would construct MCs. This proceeded to another aspect of review - the issue of tension in the construction of management controls. It was reviewed that tension is the core of the construction of MCs, but little attention was paid to how MCs confront tensions



when FOBs operate through government rules and regulations and customer's product specifications and quality standards.

In Chapter 3, I provided the literature on the use of ANT and its dynamics with a justification of its suitability as a theoretical framework for the study of tensions in management controls in an FOB in China. It was shown that since the 1990s, accounting researchers have explored questions such as how actors form networks and how networks act in the construction of accounting systems (e.g., Robson, 1991; Preston et al, 1992). Addressing such questions, researchers in accounting have made a substantive progress demonstrating how accounting systems are fabricated (Preston et al, 1992), how they are developed and popularised (Cooper et al, 2017), how they are affected by trust and emotions (Boedker and Chua, 2013), and how they are translated through boundary objects (Briers and Chua, 2001). While this development is commendable and praiseworthy, a detailed review of this ilk of research is out of our remit (for a review of this agenda of research, see Justesen and Mouritsen 2011). Moreover, special attention is paid to the idea of OPP emphasising how this concept can be used for theorising the instances of tensions occurring in the construction of MCs within the FOB I studied. Previous studies on contingency theory of management controls only looked at relationships rather than reciprocal tensions and their implications for the continuous construction of MCs (see Chenhall, 2003). This issue was also reviewed in Chapter 2 focusing on little research on FOBs in developing countries which focused on the prominence of family imperatives in running these businesses (Ansari and bell, 1991; Stergiou et al, 2013; Ahmed and Uddin 2018; Pistrui et al, 2011; Uddin, 2018; Tsamenyi and Uddin, 2008; Xinhuanet, 2019). It was found that there were no studies concentrating on the issue of tension within FOBs in developing countries such as China although they pointed to that direction with interesting findings.

In Chapter 4, I described the fact that I chose a case study approach to gain rich insights into the process of the construction of management controls. It outlined the philosophical assumptions underpinning the research and correspond to the epistemological and ontological assumptions of interpretive research, presented ethnography as the research design, described the organisation and its management controls system, as well as the research method, and the data

collection techniques in the fieldwork. I showed that I spent six months in fieldwork in China to gather research data about a management control in a manufacturing company in the east coast area. This area has the most mature manufacturing production line in China, one of the largest export manufacturing provinces in China, and contains lots of family-owned manufacturing factories across different industries, where 80% Fortune Global 500 headquarters are located. Hence, it was a great place to conduct my fieldwork which facilitated me to understand how management control operates here and fill the research gap.

As was analysed in Chapter 5, it was revealed that there was a local network of actors developed in response to Chinese government regulations as well as Chinese Communist Party ideology. The government regulations regarding business taxation, employment/labour laws, and sustainable development guidelines were unavoidable actants which were diffused in all business organisations in China. These actants joined local actors such as managers at various levels, employees, *and* management practices and procedures. This resulted in a local network which developed a system of management controls for the purpose of making employees controllable and activities manageable to the satisfaction of these government regulations and Chinese ideologies. Hence, in Chapter 5, I empirically demonstrated that the management control system in the case organisation was such a managerial construction organised by a set of distant forces but enacted by a set of local actors who exercised their power and agency but subject to those external forces.

Chapter 6 is an empirical analysis, sees how government acts as an actor and management control system acts an actor network. To investigate how management control operates in the FOB under Chinese government control, I elaborated the ideology of the Communist Party of China and the legal environment for doing business in China. The government plays an important role in doing business. As China became an independent country since 1949, it followed the political ideology of Maoism and China became a Socialist country. In 1979, President Deng Xiaoping proposed the *Socialism with Chinese Characteristics* and decided to develop the economy. President Xi Jinping's thoughts inspired the next decades making China into a prosperous society. The government policies encouraged the development of the economy as a developing country where small

and medium enterprises play a decisive role. Among that, 80% are FOBs. The recent policies such as environmental protection, labour laws, tax reforms, and other policies have shaped the management control system. More importantly, this proceeded to an analysis of how they reflected on the company's management control system in terms of its reactions and development of control practices.

Chapter 7 analysed customer acts as actor. I introduced company products and customer quality and production requirements, as well as the process of implementation to German quality management control system as customer requested. Moreover, I used the concept of the sociology of translation that helped me to understand the process of building, growing, and stabilising the network through which the German Management Controls were implicated in the construction of MC while government rules and regulations did a similar role. This allowed me to understand how and why tensions occurred and how the managers and the owner confronted that tension as being a complementary form rather than a competing form. This was possible due to the nature of political, institutional, and technological context in which this construction occurred.

### **8.3 A reflection on findings**

Once I have reviewed the literature in these areas, it was clear that there was a lack of studies on the construction of management controls in family-run SMEs in developing countries. As was presented in Chapter 3, It was also clear that, given the tensions being developed in the construction of such controls, an ANT perspective is needed to understand how these controls are developed through acting networks within such organisations. In order to fill this gap, the case organisation's empirical material was useful to develop a better understanding of how this construction happened.

The same is true when looking at the other set of forces emanated from the customers' side. The main customer organisation with its base in Shanghai wanted the case organisation to follow certain quality assurance packages as the product in question must be produced at the highest standard of quality rather than the quantity. Hence, as was shown in Chapter 6, there were numerous non-human actants and actants which were combined with human actors making the local

network an OPP for maintaining these standards. The employees were trained, and documents and procedures were developed according to these requirements. Hence, management controls are not just procedures, but constructions based on regulations and requirements which may be conflicting and subject to changes when regulations and requirements change. As I will discuss, this led to the development of some tensions.

### **8.3.1 MC tools: formal versus informal**

Overall, the study revealed how MC was constructed while an OPP was developed as a form of tension. This has an interesting reflection regarding the use of tools of MCs. To this end, I explored how a local network was developed, based on the government regulations and customer requirements, and how that network constructed a form of MC system which is largely characterised by an informality. As a result, tools used in everyday MC included not only GMC system, audit inspections, formal budgets, and ERP-based information flows and their implications for controls, but also informal tools such as ad-hoc meetings, close supervisions, comprehensive instructions, and displays of notices showing how to do things better. By analysing the results of the fieldwork findings, I examined the instances of tensions among the government actor, customer actor, and firm's management control system as this was how the firm's management control system is doing business based on informalities exercised by family members which is unique in the construction of management controls (cf. Ansari and bell, 1991; Tsamenyi and Uddin, 2008; Stergiou et al, 2013; Ahmed and Uddin 2018). Except all kinds of control mechanisms in management control, the FOB I studied managed the tensions between two actors to achieve the firm's objectives. A local network built by human actor (managers, workers) and non-human actor (management control system and other control technologies), reflects, and responds with local priorities such as production and quality requirements, implementation of the German production control, on-time delivery, financial control, and cycle time. The local network is being developed and constantly shaped and be shaped by them. This is different to Damayanthi et al (2020), who illustrated that tensions occurred due to different institutional logics the actors

follow. Also, this finding is different to the work by Preston et al (1992) who illustrated the fabrication of controls through actors' consciousness.

What is interesting here is that MC tools the FOB used are mixed. On the one hand, along with the implementation of EPR, they use formal MCs, namely, the system of budgetary controls. This allowed the FOB to plan and control their financial and physical resources, although this system is not necessarily be bureaucratic like in a large state-owned enterprise (cf. Hoque and Hopper, 1995; Wickramasinghe et al, 2004). Rather, it operates in the context of the family which mobilises an 'autocratic' authority over other managers and workers through which the budgetary control system is enacted. To this end, budgeting inscriptions act not at a distance (cf. Robson, 1991). Instead, it is enacted through a system of close supervision and regular involvement in everyday matters. Hence, the acting network for these controls are formal but with an element of informality.

The informality operates like a network in relation to the formal system of budgetary controls. While the owner manger exercises the authority over others, he uses other forms of supplementary strategies in order to enact the formal system. These strategies include ad-hoc meetings with middle level managers; spontaneous factory visits by the family members; dinner time discussions to plan and implementing them on the following day; giving video calls to people concerned; and the like (cf. Tsamenyi and Uddin, 2008). The role of these informal planning and control mechanisms has two related aspects: on the one hand, these controls are familiar and rational ones for the FOB as the informal and continuous involvement of family members has become the controlling principle; and on the other hand, these informal controls are helpful for getting the formal controls enacted (cf. Briers and Chua, 2001). The network effects only though this unique organisational arrangement where formal controls are enacted through informal controls.

### **8.3.2 MC as management of tensions**

As I discussed earlier, the tension has been part of everyday life of MCs. When the managers use control tools or when the tools are used in conjunction with informal interventions on the part of family members, these tensions are confronted and

debated. Recent researchers such as Damayanthi et al (2020) discussed tensions in the implementation of new management control ideas but my findings go beyond these to argue that tensions are due to the nature of the economy we are now facing. On the one hand, government regulations are becoming vital when the market forces are becoming controlling principles which was evident in my study. On the other hand, as the present-day market operates globally, new global rules are emerging. Quality standards such as GMC and quality audits by customer company are paramount in the construction of MCs but as the local traditions and family imperatives are more into informal types of controls, the tension is seen as a conflict between the formal and informal types of controls (cf. Briers and Chua, 2001).

However, as I found out, this conflict cannot be avoided. Instead, family members along with the senior management have confronted the status quo and developed a culture of learning, understanding, and implementing in their own ways but without violating government rules and regulations and customer's specifications and standards. Researchers taking contingency theory approaches (see Chenhall, 2003) understood MCs as a way of responding to contingent factors but, mostly, they followed cross-sectional perspectives with quantitative analyses. As a result, how MCs are constructed through tensions was neglected. In contrast, my findings emphasised that there are no MCs without tensions - tensions between externalities and internalities as well as tensions between formalities and informalities. Hence, based on detailed empirical evidence, it is seen that MCs can be defined as a set of mechanisms through which tensions are managed in a context of continuous networking of both human and non-human actors (cf. Preston et al, 1992; Briers and Chua, 2001; Jones and Dugdale, 2002).

### **8.3.3 OPP that created tensions**

Overall, the study revealed how MC was constructed while an OPP was developed as a form of tension. This has an interesting reflection. I explored how a local network was developed, based on the government regulations and customer requirements, and how that network constructed a form of MC system which is largely characterised by an informality. As a result, tools used in everyday MC included not only GMC system, audit inspections, formal budgets and ERP-based

information flows and their implications for controls, but also informal tools such as ad-hoc meetings, close supervisions, comprehensive instructions, and displays of notices showing how to do things better. By analysing the results of the fieldwork findings, I examined the instances of tensions between government actor, customer actor, and firm's management control system as this was how the firm's management control system is doing business based on informalities exercised by family members which is unique in the construction of management controls (Ansari and Bell, 1991; Tsamenyi et al, 2008; Stergiou et al, 2013; Ahmed and Uddin 2018). Except all kinds of control mechanisms in management control, the FOB I studied managed the tensions between two actors to achieve the firm's objectives. A local network built by human actor (managers, workers) and non-human actor (management control system and other control technologies), reflects, and responds with local priorities such as production and quality requirements, implementation of the German production control, on-time delivery, financial control, and cycle time. The local network is being developed and constantly shaped and be shaped by them. This can be reflected by considering the work by Damayanthi et al (2020) who illustrated that tensions occurred in relation to different institutional logics the actors follow. Also, this finding is different to the work by Preston et al (1992) who illustrated the fabrication of controls through actors' consciousness.

Moreover, I explored how an obligatory passage point (OPP) was constructed through that local network. The analysis introduced the creation of an obligatory passage point in terms of local contexts, a necessary element for the formation of network and an action program. The tensions are managed through the negotiation spaces settled upon by local networks that allow them a degree of autonomy from the global network of involved actors. It also discussed how the network of alliances for the institutionalisation of the four steps of translations. This is linked to how these two layers of development operated as a management control system. The analysis interpreted the result through a translation process from the actor network theory perspective and by implementation of obligatory passage point to management control. It showed the process of negotiation spaces, and how tensions were being managed by obligatory passage point. Callon's (1986) four steps of problematisation, interessement, enrolment, and mobilisation were followed, as well as three principles, agnosticism, generalised symmetry, and free

association. (a) Problematisation indicated the cause, defined the nature and the problems between government and customer actors with company. Then suggested that it can be resolved through negotiation in obligatory passage point. The management control travels as an actor network. (b) Interessement locks the role of government, customer, management control system, and other actors in this progress, and proposed them in this program. (c) Enrolment defines and interrelates the various roles and allocated them to others. (d) Mobilisation - I described a set of methods on how the company manages the tensions and conflicts.

### **8.3.4 Tensions being complementary**

While contingency theorists in MCs (see Chenhall, 2003) argued that MCs are responses to contingent factors, but they de-emphasised how actors construct them, ANT researchers in accounting (Preston et al, 1992; Briers and Chua, 2001; Jones and Dugdales, 2002) argue that MCs are a social construction showing how actors develop a network towards this task within organisations. As I showed in Chapter 3, taking the ANT perspective further, Cooper et al (2017) argued that certain practices are forced to adopt in a context of acting network. Drawing on Callon's (1980) ideas, they introduced tensions as a way of developing an OPP through which management controls create everyday practices. Hence, tension is the focal point for understanding how MCs are constructed in relation to debates, controversies, and arguments which lead to the formation of this state of tensions. As I highlighted in Chapter 3, BSC was developed and popularised through the development of OPP which forced the followers around the world to take these ideas to change existing MCs from traditional financial-based performance measures to broader all-inclusive forms of performance measures. Taking this further, in my study, I focused on an FOB where formal systems are enacted through informal systems. Consequently, I conceptualised, as mentioned before, tension as the root in the construction of management controls (Damayanthi et al, 2020).

However, the forms of tensions are not always competing or conflictual which create antagonistic relations among the actors in an acting network that develops MCs. If they are completely competing and conflictual, then establishment of MC



is impossible as there can be continuous struggles leading to a situation of crisis. Instead, as I mentioned earlier, there is a sociological truth about the functioning of MCs where both competing and complementary forms of tensions operate together in the construction of MCs. As formal controls are enacted through informal controls, competing tensions operate in relation to complementary tensions. Seen from an ANT perspective, tensions are driving forces for actors to work together because a network is unnecessary if everything is conflict-free. In my study, as was elaborated earlier, since workers and managers wanted to learn new ideas eagerly and as the family members wanted to keep the business more competitive, competing tensions are disciplined by complementary tension (cf. Cooper et al, 2007).

### **8.3.5 Family as the authority of controls**

As I reviewed in Chapter 2, MC research in FOBs is scarce. Despite a few studies which reported on qualitative case studies (e.g., Ansari and Bell, 1991; Tsamenyi and Uddin, 2008) which reported how controls are implicated in family imperatives, we know little about how these imperatives are lined with other forms of organisational arrangements such as formal controls, external regulations, and competitive forces. In my study, I have explored these issues for which I used the ideas of ANT. One of the interesting findings is this linkage - the linkage between formalities and informalities as well as internalities and externalities. This linkage has been operative through the power of the authority of family which creates a context for the construction of those controls. To this end, family authority, as opposed to a classical bureaucratic authority, is an interesting phenomenon that I grappled with (see Wickramasinghe and Alawattage, 2007).

As empirical material showed, the sole authority of controls lies in the hands of the family, in my case, husband and wife. Despite government's imposition of rules and regulations and the customer's imposition of specifications and standards, the family's authoritative position has been paramount in the construction of a particular form of MCs. Unlike contingency theorists (Chenhall, 2003), this family authority enacts everyday practices by mobilising formal controls mechanisms along with informal control mechanisms. When situations of OPP are created, this family authority gets involved in mediating issues on a daily

basis. When the workers struggle to learn GMC and government rules and regulations, family authority mediates the situations being developed by deploying more informal MC mechanisms such as regular meetings, video calls, and ad hoc inspections. For example, rather than sitting in the office, family members leave the office and inspect the shop floor so that workers are better involved in implementing both government and customer impositions. Ansari and Bell (1991) and Tsamenyi and Uddin (2008) explored such roles of family members, but how those externalities are mobilised through the exercise of family authority has been neglected. Although tensions so developed were explored recently by Damayanthi et al (2020), how informal authorities are implicated in the management of such tensions were neglected.

## **8.4 Contributions, directions, and implications**

### ***On MC studies in developing countries***

This thesis has three contributions out of which I can see directions for future research and implications for policy developments. First is to the contribution to MC studies in developing countries. As I have shown previously, MC studies in developing countries emerged with the emergence of their economic reform agenda, especially around the privatisation programme in the 1990s (see Hopper et al, 2009; 2017; Wickramasinghe and Hopper, 2005; Wickramasinghe et al, 2004; Uddin and Hopper, 2003; Hoque and Hopper, 1994; Ranasinghe and Wickramasinghe, 2021). While these studies located the issues of the reconstruction of MCs in a wider historical, political, and cultural context and pointed to contradictions between new privatisation policies and prevailing institutions of MC, in my study, I pointed to both competing and complementary tensions as there are continuous inflows of formal MCs which must be interacted with formal MCs. When this happens, as I elaborated earlier, MC is a manifestation of the management of such competing and complementary tensions. This analysis thus takes MC literature in developing countries forward by problematising the thesis of contradictions occurring in wider political economy contexts (cf. Hopper et al, 2009).

However, there are areas for further studies on this phenomenon of tensions. One is a theoretical diversion. While my study used an ANT perspective to understand how tension occurs in the context of a network which developed an OPP, future researchers may use alternative frameworks. For example, if one could take institutional logics perspective, the existing discussion of tensions (Damayanthi et al, 2020) can be extended by undertaking an analysis in an FOB. Future researchers may explore how paradoxes between competing logics can be managed. They may question whether such efforts can be a manifestation of the construction of MCs harmoniously or whether such constructions can be an appearance of power dynamics in FOB contexts, an unexplored context for this conversation (cf. Kornberger et al, 2017). Alternatively, beyond institutional logics, future researchers may use Orders of Worth perspective (see Bobadilla and Gilbert, 2017) to understand how competing higher order principles would lead to develop compromises or how such compromises collapse under some circumstances in developing countries. This would add more to this stream of literature.

My study has implications for policy making and management practices. On the one hand, both the customer companies and governments in developing countries may learn a lesson that there are tensions to be managed as FOBs operate with their own informalities as well. This understanding can lead both customer companies and governments in developing countries to deal with the issues of compliance more collectively and collaboratively. These external bodies may realise that there are network efforts which need discussions, accommodations, and compromises. On the other hand, managers in FOBs may realise that tensions are normal, and management of tensions are everyday realities that managers must confront. Rather than thinking of management as a 'perfect' solution to the problems being developed, tension can be a way of improving those everyday practices.

### ***On studies on FOBs in developing countries***

Second contribution is to the stream of studies on FOBs in developing countries and elsewhere (e.g., Ansari and Bell, 1991; Tsamenyi and Uddin, 2008; Stergiou et al, 2013; Ahmed and Uddin 2018). As was mentioned earlier, while previous studies focused on family imperative in the construction of MCs, my study takes

this conversation further by illustrating how such imperatives operate in relation to a network and relative significance of complementary of formal controls with informal controls. While previous studies explored how local cultures and societal features are implicated in the construction of MCs, my study takes this conversation further by illustrating how such local cultures and societal features are implicated in a tendency of developing informal practices which are important for understanding how MCs are constructed and how external impositions are confronted as a result.

This leads to further studies in the context of FOBs in developing countries and elsewhere. While I took an ANT perspective to understand the significance of the roles played by an informal system of controls which enact the network of actors, future research may extend this conversation by analysing how informalities are historically built and evolve into current form as an established institution to operate with emerging formal systems. This is an important phenomenon to explore as FOBs around the world play a significant role in the operation of global networks of production connecting the developed world with developing countries such as China. As Tsamenyi and Uddin (2008) stated, given this significant role, FOBs must be further studied to understand the dynamics in the construction and substance of such global networks. In such a context, future researchers may explore more about the construction of MCs in relation to this network. Moreover, taking other theoretical frameworks, future researchers may examine how FOBs emerge and sustain in developing countries through the opportunities available in the context of neoliberalism. For example, Alawattage et al (2019) examined this possibility in relation to the deployment of microfinance technologies. This line of thinking can be exclusively applied to the FOB context to see how neoliberalism enacts form of management control system in there.

This contribution has practical implications for FOB managers in developing countries. While the FOBs tend to think that they need to learn more new ideas and new management practices, this study point to them that the existing practices can be a mediating instrument to better mobilise new ideas such as GMC, quality audits, and even balanced scorecards and activity-based management. It has been a common view in developing countries that the managers must replace their informal and traditional practices (based on owner's personal desires) with

new ideas such as the above. However, rather than replacing them with new ones, it would be more effective when they use the old practices to enact and better accommodate new practices. FOB managers in developing countries may embrace this message to value their traditions while welcoming new ideas. In the context of China, this understanding is important as its economy is predominantly run by such FOBs.

### ***On studies on ANT-inspired accounting research***

As I mentioned earlier, ANT-inspired accounting research has substantively advanced since the early 1990s (e.g., Robson, 1991; Preston et al, 1992; Briers and Chua, 2002; Jones and Dugdales, 2002; Cooper et al, 2017). These studies have explored how networks are built, how inscriptions are created, and how translations occur when ideas are globally diffused and popularised. Extending the essence of these works, in my study, I pointed to the fact that actors emerge from both local governments and global business operations to land in local social associations such as FOBs and to create OPPs which produce both competing and complementary tensions. When following both human and non-human actors in such arrangements, I found that those forms of tensions configure not only acting networks but also MCs which manifest a construction of a system of controls. Previous researchers explored how translations occur in locals but when I looked at those translations, I found that without having to develop those forms of tensions, such translations (e.g., translation of GMC into a non-violating local form) do not take place. In this way, my study extends the conversation about tensions being developed in acting networks and their implications for the construction of MCs.

This theorisation leads to further studies on ANT-inspired accounting research. One area of interest is to examine how power dynamics operate in relation to the enactment of formal controls through informal controls. While I saw the tendencies of this enactment, I did not explore further about the driving force of this enactment. As owners have a kind of 'autocratic' authority and their ability to oversee everything physically on-site (rather than at a distance), power may operate as a physical and tangible form beyond its symbolic and distant mode (cf. Kornberger et al, 2017). Future researcher may unpack these dynamics to theorise

how physical presence offers a powerful force in the construction of a local network which connects to the external actors. This understanding is important for ANT-inspired accounting researchers to add more knowledge to how OPP develops not only through symbolic forms such as non-human actors and their inscriptive forms, but also through physical and tangible forms (cf. Ansari and Bell, 1991).

Such understandings have more implications for learning lessons for FOB managers. Even modern management teaching preaches and propagates more about textbook management concepts which are predominantly Western, autocratic attentions through the dominance of physical presence would be an effective form of governing and controlling principle. This can be more effective in authoritative societies such as China as people work only when they are closely and thoroughly controlled. This can be the root of success of FOBs in China which make a huge contribution to its economy as I mentioned previously in the thesis. Development of networks and translation of global ideas into local forms are only materialised when this 'autocratic' control mode prevail. Hence, rather than totally neglecting either physical mode of controls or its symbolic form, FOB managers may strike a balance between the two for MCs to be a form of management of all kinds of tensions in a context of compliance arrangement - be it for government agencies or for global business operators.

## Appendix 1: Data collection framework in the field: questions, rationales and data collection methods

Questions	Rationales	Data collect method
<p>What is your position in the organization?</p> <p>How long have you been in this organization and what different roles did you play during your time?</p>	<p>Basic background of participants and the role of their position.</p>	<p>Questionnaire</p>
<p>How do you see yourself as part of the organization 's control procedures?</p> <p>What is the basis (rationale) of the control as you understand?</p> <p>Is there any purpose in having this type of control, in your opinion?</p>	<p>Explore how participants different understandings towards the organisation's management control.</p>	
<p>What kind of control are you referring to? Do they cover production, quality control or any other?</p>	<p>The control method used in the quality, production, labour and finance control.</p>	
<p>Have these purposes been developed internally, or have they been influenced by any external regulation/agency, according to your understanding?</p>	<p>The internal and external policies, pressure faced during management control</p>	
<p>What tools, methods and procedures are being used in maintaining these controls?</p>	<p>Understand the way to maintaining controls.</p>	
<p>What are the most effective tools, methods, or procedures among them? Why do you think that those are better than others?</p>	<p>Understand the effective management control method, tool, and procedures in the organization.</p>	
<p>Do you think that these controls are effective and produce positive outcomes? If so, in what sense? If not, what are the areas of concern?</p>	<p>Let participants describe the most effective controls could influence them.</p>	

Do you remember any changes or modifications made to these controls and the circumstances under which such modifications/changes took place?	Especially how managers use the method differently and how participants reflect them.	
What were the reactions generated as a result of modifications/changes? Were they technological or organizational in nature?	Identified Technological, culture and other elements involved in control.	
Are you happy with the current system of control or do you think that some changes or modifications are still needed to suit the requirements of the organization?	Know how the participants thinks of current management control.	
What are the future challenges, in your opinion, that the firm is facing in relation to the controls we discussed?	Identify concerns of participants.	
How does the firm overcome these challenges? In what ways?	Find different focuses in organization management control.	
Historical development of the organization and his role as the manager.	Understand the development of the organization and participants' role of the position.	Interviews, conversations and follow-up meetings
Family-owned business development in China and key policy influences.	Conceptualisation of the macro level political interferences on FOB and key policies could affect the organisation.	
Nature of the control system in the organization.	Understand the management control system in the organization.	
Major issues faced/being faced in managing employees and related processes and activities.	How organization responds the difficulties in management control and how such activities shaped local MC.	
Any instances of fraud, theft, or embezzlement?  Any instances of misconduct, misappropriation, or false statements?	Examine other issues could be possible in management control process.	



<p>Any solutions made to overcome those issues?</p> <p>Any changes that need to think about in devising solutions?</p> <p>Any other important matters?</p>	<p>Understand how the management control handle the difficulties based on the local network.</p> <p>And explore how local network manages the controls differently compared others.</p>	
<p>The way they were involved in the control processes in their section.</p> <p>Their overall perception about controls.</p> <p>Their involvement of aspects of those controls.</p> <p>The methods they used to make these controls effective.</p>	<p>Gain deeper understanding about formal and informal management control.</p> <p>Know how they maintain such controls.</p>	Group discussion
<p>Any change they saw in the processes of controls over the years.</p> <p>Their attitudes about these changes.</p> <p>The best aspects of the system of control and the reasons for this judgment.</p> <p>The aspects of the controls which they disliked.</p>	<p>Explore the responses to policies of management control in family-owned business.</p>	
<p>Their proposals for changing/developing the system to avoid the aspects they disliked.</p> <p>Their attitudes towards their future and the organization.</p> <p>Any other important matter they liked to discuss.</p>	<p>Identify people's logics by identifying their needs and desires.</p>	

## Appendix 2: Summary of research participants

NO.	Job Position	Department	Duration (min)
1	General manager	Head office	120 mins
2	HR manager		120 mins
3	Finance manager	Finance department	120 mins
4	Accountant		90 mins
5	Finance assistant		40 mins
6	Sales manager 1	Sales department	120 mins
7	Sales manager 2		100 mins
8	Purchasing manager	Purchasing department	60 mins
9	Purchasing assistant		60 mins
10	Technical manager	Technical department	60 mins
11	Technician 1		45 mins
12	Technician 2		45 mins
13	Production manager	Production department	120 mins
14	Quality manager	Quality control department	90 mins
15	Projector manager	Project department	90 mins
16	Equipment manager	Equipment department	60 mins
17	Customer representative 1	Customer company	90 mins
18	Customer representative 2		60 mins
19	10 group leaders	Shop floor	Almost everyday
20	Serval workers	Shop floor	Almost everyday

## References

- Abernethy, M.A. and Brownell, P. (1997). Management control systems in research and development organizations: The role of accounting, behaviour and personnel controls. *Accounting, Organizations and Society*, 22 (3-4), 233-248.
- Abernethy, M.A. and Brownell, P. (1999). The role of budgets in organizations facing strategic change: an exploratory study. *Accounting, Organizations and Society*, 24, 189-204.
- Abernethy, M. A. and Lillis, A. M. (1995). The impact of manufacturing flexibility on management control system design. *Accounting, Organizations and Society*, 20(4), 241-258.
- Abu-Nassar, M. and Rutherford, B. A. (1996). External Users of Financial Reports in LDCs: The Case of Jordan. *British Accounting Review*, 28, 73-87.
- Adler, S. and Chen, X. (2011). Combining creativity and control: Understanding individual motivation in large-scale collaborative creativity. *Accounting, Organizations and Society*, 36(2), 63-85
- Ahmed, K. and Nicholls, D. (1994). The Impact of Non-Financial Company Characteristics on Mandatory Disclosure Compliance in LDCs: The Case of Bangladesh. *International Journal of Accounting*, 29, 62-77.
- Ahmed, S. and Uddin, S. (2018). Toward a Political Economy of Corporate Governance Change and Stability in Family Business Groups: A Morphogenetic Approach. *Accounting, Auditing and Accountability Journal*, 31 (8), 2192-2217.
- Aiken, M. and Lu, W. (1993). Chinese government accounting: historical development and current initiatives. *British Accounting Review*, 25, 109-129.
- Aiken, M. and Lu, W. (1998). The evolution of bookkeeping in China: integrating historical trends with western influences. *Abacus*, 34 (2), 220-242.
- Alawattage, C., Hopper, T. and Wickramasinghe, D. (2007). Introduction to management accounting in less developed countries. *Journal of Accounting and Organizational Change*, 3 (3), 183-191.

- Alawattage, C. and Wickramasinghe, D. (2009). Institutionalisation of control and accounting for bonded labour in colonial plantations: a historical analysis. *Critical Perspectives on Accounting*, 20(6), 701-715.
- Alawattage, C., Wickramasinghe, D., Tsamenyi, M. and Uddin, S. (2017). Doing critical management accounting research in emerging economies. *Advances in Scientific and Applied Accounting*, 10(2), 177-188.
- Amans, P., Mazars-Chapelon, A. and Villesèque-Dubus, F. (2015). Budgeting in institutional complexity: the case of performing arts organizations. *Management Accounting Research*, 27(6), 47-66.
- Ames, R.T. (1994). *The art of rulership: A study of ancient Chinese political thought*. SUNY Press.
- Ansari, S. L. and Bell, J. (1991). Symbolism, Collectivism and Rationality in Organizational Control. *Accounting, Auditing & Accountability Journal*, 4(2), 4-27.
- Anthony, R. N. (1965). *Planning and Control Systems: A Framework for Analysis*. Division of Research. *Harvard Business School*, Boston.
- Anthony, R. N., J. Dearden and N. M. Bedford. (1984). *Management Control Systems*. Irwin, Homewood, IL.
- Anthony, R.N. and Govindarajan, V. (1998). *Management control systems*, 2nd edition. Homewood, Ill: Irwin/McGraw-Hill.
- Ansari, S. L. and Bell, J. (1991). Symbolism, collectivism and rationality in organisational control. *Accounting, Auditing & Accountability Journal*, 4, 4-27.
- Alon, I., Wang, H., Shen, J. and Zhang, W. (2014). Chinese state-owned enterprises go global. *Journal of Business Strategy*, 35 (6), 3-18.
- Argyris, C. (1952). *The impact of budgets on people*. Controllership Foundation.
- Armstrong, P. (2002). The costs of activity-based management. *Accounting, Organizations and Society*, 27 (1-2), 99-120.
- Arnold, P. and Sikka, P. (2001). Globalization and the state-profession relationship: the case of the Bank of Credit and Commerce International. *Accounting, Organizations and Society*, 26 (4), 475-499.

- Aubert, B. A., Kishore, R. and Iriyama, A. (2015). Exploring and managing the “innovation through outsourcing” paradox. *Journal of Strategic Information Systems*, 24, 255-269.
- Auzair, S.M. and Langfield-Smith, K. (2005). The effect of service process type, business strategy and life cycle stage on bureaucratic MCS in service organizations. *Management Accounting Research*, 16(4), 399-421.
- Ax, C. and Björnenak, T. (2005). Bundling and Diffusion of Management Accounting Innovations-The Case of the Balanced Scorecard in Sweden. *Management Accounting Research*, 16(1), 1-20.
- Babbage, C. (1832). *On the Economy of Machinery and Manufacturers*, Charles Knight, London.
- Barrett, M., Cooper, D.J. and Jamal, K. (2005). Globalization and the coordinating of work in multinational audits. *Accounting, Organizations and Society*, 30 (1), 1-24.
- Battilana, J. and Dorado, S. (2010) Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations. *Academy of Management Journal*, 53, 1419-1440.
- Bausor, R. (1983). The Rational-Expectations Hypothesis and the Epistemics of Time. *Cambridge Journal of Economics*, 7(1), 1-10.
- Baxter, J. and Chua, W.F. (2003). Alternative management accounting research—whence and whither. *Accounting, Organizations and Society*, 28(2-3), 97-126.
- Baxter, J and Chua, W.F. (2007). Accounting changes as relational drifting: A field study of experiments with performance measurements. *Management Accounting Research*, 18(2), 273-308.
- Beer, S. H. (1972). The disorders of modernity: the American case. *The Political Quarterly*, 43, 19-28.
- Berry, A. J., Broadbent, J. and Otley, D. T. (2005). *Management control: theories, issues and performance* (2nd ed.). Basingstoke, UK: Palgrave Macmillan.
- Berry, A.J., Broadbent, J. and Otley, D.T. (2016). *Management control: theories, issues and practices*. Macmillan International Higher Education.

- Berry, A.J., Broadbent, J. and Otley, D.T. (2019). *Management control theory*. Routledge.
- Berry, A.J., Capps, T., Cooper, D., Ferguson, P., Hopper, T. and Lowe, E.A. (1985). Management control in an area of the NCB: rationales of accounting practices in a public enterprise. *Accounting, Organizations and Society*, 10(1), 3-28.
- Berry, A. J., Coad, A. F., Harris, E. P., Otley, D. T. and Stringer, C. (2009). Emerging themes in management control: A review of recent literature. *The British Accounting Review*, 41 (1), 2-20.
- Berry, L.L., Zeithaml, V.A. and Parasuraman, A. (1985). Quality counts in services, too. *Business Horizons*, May-June, 44-52.
- Besharov, M.L. and Smith, W.K. (2014) Multiple Institutional Logics in Organizations: Explaining Their Varied Nature and Implications. *Academy of Management Review*, 39, 364-381.
- Birnberg, J.G., Turopolec, L. and Young, S.M. (1983). The organizational context of accounting. *Accounting, Organizations and Society*, 2(2-3), 111-129.
- Bisbe, J. and Otley, D. (2004). The effects of the interactive use of management control systems on product innovation. *Accounting, Organizations and Society*, 29(8), 709-737.
- Bobadilla, N. and Gilbert, P. (2017). Managing scientific and technical experts in R&D: beyond tensions, conflicting logics, and orders of worth. *R&D Management*, 47, 223-235.
- Boedker, C. and Chua, W. (2013). Accounting as an affective technology: A study of circulation, agency and entrancement. *Accounting, Organizations and Society*, 38(4), 245-267.
- Briers, M. and Chua, W. F. (2001). The role of actor-networks and boundary objects in management accounting change: a field study of an implementation of activity-based costing. *Accounting, Organizations and Society*, 26(3), 237-269.
- Broadbent, J. (1992). Change in Organisations: A Case Study of the Use of Accounting Information in the NHS. *British Accounting Review*, 343-367.

- Broadbent, J. and Laughlin, R. (1997). Developing empirical research: an example informed by a Habermasian approach. *Accounting, Auditing & Accountability Journal*, 10(5), 622-648.
- Brown, C. (1992). Organization studies and scientific authority. In M. Reed and M. Hughes (Eds.) *Rethinking Organization: New Directions in Organization Theory and Analysis*. London, Sage: 67-84. A review of ANT in organisation studies from a methodological perspective.
- Buckley, A. and E. McKenna (1972). Budgetary Control and Business Behaviour. *Accounting and Business Research*, 137-150.
- Burns, T. and G. M. Stalker (1961). *The Management of Innovation*. Tavistock, London.
- Burrell, G. and Morgan, G. (1979). *Sociological paradigms and organisational analysis*. London: Heinemann Educational Books Ltd.
- Busco, C., Riccaboni, A. and Scapens, R.W. (2006). Trust for accounting and accounting for trust. *Management Accounting Research*, 17(1),11-41.
- Busco, C., Giovannoni, E. and Ricabonni, A. (2007). Globalisation and the international convergence of management accounting. In Hopper, T., Northcott, D. and Scapens, R. (Eds), *Issues in Management Accounting*, 3rd ed., Pearson Education, Harlow, 65-92.
- Bourdieu, P. (1998). *Acts of resistance: against the tyranny of the market* (R. Nice, trans.). New York: The New Press.
- Brown, K. (2016). *CEO China: The Rise of Xi Jinping*. IB Tauris.
- Cadez, S. and Guilding, C. (2008). An Exploratory Investigation of an Integrated Contingency Model of Strategic Management Accounting. *Accounting Organizations and Society*, 33(7-8), 836-863.
- Callon, M. (1980). *Struggles and Negotiations to define what is Problematic and what is not: The Sociology of Translation*. In K. D. Knorr, R. Krohn and R. D. Whitley (Eds.) *The Social Process of Scientific Investigation: Sociology of the Sciences Yearbook*. Dordrecht and Boston, Mass., Reidel. 4, 197-219.

- Callon, M. (1986). *Some Elements of a Sociology of Translation: Domestication of the Scallops and the Fishermen of Saint Brieuc Bay*. In J. Law (Ed.) *Power, Action and Belief: a new Sociology of Knowledge?* Sociological Review Monograph. London, Routledge and Kegan Paul. 32: 196-233.
- Callon, M. (1986). *The sociology of an actor-network: The case of the electric vehicle*. In *Mapping the dynamics of science and technology* (pp. 19-34). Palgrave Macmillan, London.
- Callon, M. (1991). *Techno-economic networks and irreversibility, in A sociology of monsters: essays on power, technology and domination*. J Law, ed., Rutledge, London/ New York, 103-131.
- Carr, C. and Tomkins, C. (1996). Strategic investment decisions: the importance of SCM. A comparative analysis of 51 case studies in U.K., U.S., German companies. *Management Accounting Research*, 7, 199-217.
- Chan, A.M.Y. and Lee, M.M. (1997). Applicability of management control theories in China: a case study. *Advances in International Accounting*, 10, 165-183.
- Chan, K.H., Lew, A.Y. and Tong, M.Y.J.W. (2001). Accounting and management controls in the classical Chinese novel: a dream of the red mansions. *International Journal of Accounting*, 36 (3), 311-327.
- Chapman, C.S., Hopwood, A.G. and Shields, M.D. (2007). *Handbook of Management Accounting Research*. Elsevier, Oxford.
- Chenhall, R. H. (2003). Management control systems design within its organizational context: Findings from contingency-based research and directions for the future. *Accounting, Organizations and Society*, 28, 127-168.
- Chenhall, R. (2005). Integrative strategic performance measurement systems, strategic alignment of manufacturing, learning and strategic outcomes: an exploratory study. *Accounting, Organizations and Society*, 30 (5), 395-422.
- Chenhall, R. H. (2007). *Theorising contingencies in management control systems research*. In: Chapman, C. S., Hopwood, A. G. and Shields, M. D. eds. *Handbook of management accounting research*. Oxford: Elsevier, 163-206.



Chenhall, R. and Langfield-Smith, K. (1998). Adoption and benefits of management accounting practices: an Australian study. *Management Accounting Research*, 9(1), 1-19.

Chenhall, R.H. and Langfield-Smith, K. (2007). Multiple Perspectives of Performance Measures. *European Management Journal*, 25(4), 266-282.

Chenhall, R.H., Hall, M. and Smith, D. (2010). The role of management control systems in NGOs. *Chartered Institute of Management Accountants*, 6(6), 1-5.

Chen, Y., Jubb, P. and Tran, A. (1997). Problems of accounting reform in the People's Republic of China. *International Journal of Accounting*, 32 (2), 139-153.

Checkland, P. B. (1981). *Systems Thinking, Systems Practice*. Wiley, Chichester.

China Justice Observer. (2020). <https://www.chinajusticeobserver.com/a/what-is-chinese-legal-system>

Chua, W. F. (1986). Radical Developments in Accounting Thought. *The Accounting Review*, 61(4), 601-632.

Chua, W.F. (1995). Experts, networks and inscriptions in the fabrication of accounting images: a story of the representation of three public hospitals. *Accounting, Organizations and Society*, 20 (2/3), 111-145.

Chua, W.F. (2004). Translating social theory: a critical commentary. *Critical Perspectives on Accounting*, 15(2), 255-60.

Chow, L., Chau, G. and Gray, S. J. (1995). Accounting reforms in China: cultural constraints on implementation and development. *Accounting and Business Research*, 26 (1), 29-49.

Chua, W. F., T. Lowe. and T. Puxty. (1989). *Critical Perspectives in Management Control*. Macmillan, London.

Chua, W. F. and Degeling, P. (1993). Interrogating an accounting-based intervention on three axes: instrumental, moral and aesthetic. *Accounting, Organizations and Society*, 18(4), 291-318.

Chua, W. and Preston, A. (1994). Worrying about accounting in health care. *Accounting, Auditing & Accountability Journal*, 7(3), 4-17.

- Chun, L.S. (1996). Views of Malaysian user groups to the role of budget, budget pressure and participation. *Asian Review of Accounting*, 4(2), 71-84.
- Coe N.M and Hess, M. (2011). *Local and regional development: a global production networks approach*. A. Pike, A. Rodríguez-Pose, J. Tomaney (Eds.), Handbook of Local and Regional Development, Routledge, London, 128-138.
- Collier, P. (2005). Entrepreneurial control and the construction of a relevant accounting. *Management Accounting Research*, 16, 321-339.
- Collins, H. M. and S. Yearley. (1992). *Epistemological Chicken*. In A. Pickering (Ed.) Science as Practice and Culture. Chicago, Chicago University Press: 301-326.
- Cools, M., Emmanuel C. and Jorissen, A. (2008). Management control in the transfer pricing tax compliant multinational enterprise. *Accounting, Organizations and Society*, 33, 603-628.
- Cooper, D., Ezzamel, M. and Sandy Q. Qu. (2017). Popularising a management accounting idea: the case of the balanced scorecard. *Contemporary Accounting Research*, 34(2), 991-1025.
- Cooper, D. J. and Hopper, T. (2007). *Critical theorising in management accounting research*. In: Chapman, C. S., Hopwood, A. G. and Shields, M. D. eds. Handbook of management accounting research. Oxford: Elsevier Ltd, 207- 246.
- Cooper, D. J., Robson, K. and Bottausci, C. (2020). *Accounting practitioners, work and organisations*. in The Routledge Companion to Accounting History. 2<sup>nd</sup> edition, Routledge.
- Cooper, C., Taylor, P., Smith, N. and Catchpowle, L. (2005). A discussion of the political potential of social accounting. *Critical Perspectives on Accounting*, 16, 951-974.
- Cowton, C. J. and Dopson, S. (2002). Foucault's prison? Management control in an automotive distributor. *Management Accounting Research*, 13, 191-213.
- Cresswell, John. (2017). *Research design: Qualitative, quantitative and mixed methods approach*. 5th edition. SAGE Publishes.

- Cruz, I., Major, M. and Scapens, R.W. (2009). Institutionalization and practice variation in the management control of a global/local setting. *Accounting, Auditing and Accountability Journal*, 22 (1), 91-117.
- Damayanthi, S., Gooneratne, T.N. and Jayakody, J.A.S.K. (2020). Logics, complexities and paradoxical tensions: management controls in a clustered firm. *Accounting, Auditing and Accountability Journal*, 34(2), 307-337.
- Davidson, R., Gelardi, A. and Li, F. (1996). Analysis of the conceptual framework of China's new accounting system. *Accounting Horizons*, 10 (1), 58-74.
- Davie, S.S. (2008). An autoethnography of accounting knowledge production: serendipitous and fortuitous choices for understanding our social world. *Critical Perspectives on Accounting*, 19(7), 1054-1079.
- Davila, A. (2000). An empirical study on the drivers of management control systems' design in new product development. *Accounting, Organizations and Society*, 25 (4-5), 383-409.
- Davila, A., Foster, G. and Li, M. (2009). Reasons for management control systems adoption: Insights from product development systems choice by early-stage entrepreneurial companies. *Accounting, Organizations and Society*, 34(3-4), 322-347.
- Dechow, N. and Mouritsen, J. (2005). Enterprise resource planning systems, management control and the quest for integration. *Accounting, Organizations and Society*, 30(7/8), 691-733.
- Deep China (2020). <https://medium.com/@deepchina/understand-the-organization-of-chinese-government-3161a13fbbad>
- Dent, J. F. (1990). Strategy, organization and control: Some possibilities for accounting research. *Accounting, Organizations and Society*, 15(1-2), 3-25.
- Dent, J. F. (1991). Accounting and Organizational Cultures: A Field Study of the Emergence of a New Organizational Reality. *Accounting, Organizations and Society*. 705-732.
- Dermer, J. (1990). The strategic agenda: Accounting for issues and support. *Accounting, Organizations and Society*, 15(1-2), 67-76.

- Dirsmith, M. W. and Jablonsky, S. F. (1979). Zero-Base Budgeting as a Management Technique and Political Strategy. *Academy of Management Review*, 555-565.
- Ditillo, A. (2004). Dealing with uncertainty in knowledge-intensive firms: the role of management control systems as knowledge integration mechanisms. *Accounting, Organizations and Society*, 29(3-4), 401-421.
- Dittmer, L. (2003). Leadership Change and Chinese Political Development. *The China Quarterly*, 176, 903-925.
- Drucker, P. F. (1964). The Effective Administrator. *The bulletin of the National Association of Secondary School Principals*, 48(291), 157-166.
- Drucker, P. (1992). The new society of organizations. *Harvard Business Review*, 95-104.
- Elliott, A., and Turner, B. S. (2012). *On society*. Cambridge: Polity Press.
- Emmanuel, C. R. and D. T. Otley (1985). *Accounting, for Management Control*, Van Nostrand Reinhold, Wokingham.
- Efferin, S. and Hopper, T. M. (2007). Management control, culture and ethnicity in a Chinese Indonesian company. *Accounting, Organizations and Society*, 32, 223-262.
- Ezzamel, M., Robson, K. and Stapleton, P. (2012). The logics of budgeting: theorization and practice variation in the educational field. *Accounting, Organizations and Society*, 37(5), 281-303.
- Ezzamel, M. and Willmott, H. (1998). Accounting for teamwork: a critical study of group-based systems of or organizational control. *Administrative Science Quarterly*, 43(2), 358-397.
- Ezzamel, M., Willmott, H. and Worthington, F. (2004c). Accounting and management-labour relations: the politics of production in the 'factory with a problem'. *Accounting, Organizations and Society*, 29(3/4), 302-369.
- Ezzamel, M. and Xiao, J.Z. (2015). The development of accounting regulations for foreign invested firms in China: The role of Chinese characteristics. *Accounting, Organizational and Society*, 44,60-84.

- Ezzamel, M., Xiao, J. Z. and Pan, A. (2007). Political Ideology and Accounting Regulation in China. *Accounting Organizations and Society*, 32(7-8), 669-700.
- Ezzamel, M., Hyndman, N., Johnsen, Å., Lapsley, I. and Pallot, J. (2005). Conflict and Rationality: Accounting in Northern Ireland's Devolved Assembly. *Financial Accountability and Management*, 21, 33-55.
- Fama, E. (1980). Agency Problems and the Theory of the Firm. *Journal of Political Economy*, 88, 288-307.
- Ferreira, F., Bailey, K. G. D. and Ferraro, V. (2002). Good-Enough Representations in Language Comprehension. *Current Directions in Psychological Science*, 11(1), 11-15.
- Ferreira, A. and Otley, D. (2005). The Design and Use of Management Control Systems: An Extended Framework for Analysis. *AAA 2006 Management Accounting Section (MAS) Meeting*.
- Ferreira, A. and Otley, D. (2009). The design and use of performance management systems: An extended framework for analysis. *Management Accounting Research (December)*, 263-282.
- Flamholtz, E., Das, T. and Tsui, A. (1985). Toward an integrative framework of organization control. *Accounting, Organization and Society*, 10, 35-50.
- Foucault, M. (1977). *Discipline and punish: The birth of the prison*. London, England: Allen Lane.
- Franco-Santos, M., Lucianetti, L. and Bourne, M. (2012). Contemporary performance measurement systems: a review of their consequences and a framework for research. *Management Accounting Research*, 23 (2), 79-119.
- Free, C. (2007). Supply-chain accounting practices in the UK retail sector: Enabling or coercing collaboration? *Contemporary Accounting Research*, 24(3), 897-933.
- Frucot, V. and Shearon, W.N. (1991). Budgetary participation, locus of control and Mexican managerial performance and job satisfaction. *The Accounting Review*, 66(1), 80-99.
- Frow, N., Marginson, D. and Ogden, S. (2005). Encouraging strategic behaviour while maintaining management control: multi-functional project teams, budgets,

and the negotiation of shared accountabilities in contemporary enterprises. *Management Accounting Research* 16, 269-292.

Gendron, Y., Cooper, D. and Townley, B. (2007). The construction of auditing expertise in measuring government performance. *Accounting, Organizations and Society*, 32(1/2), 101-129.

Gerdin, J. (2005). Management accounting system design in manufacturing departments: an empirical investigation using a multiple contingencies approach. *Accounting, Organizations and Society*, 30(2), 99-126.

Gerdin, J. and Greve, J. (2004). Forms of contingency fit in management accounting research—a critical review. *Accounting, Organizations and Society*, 29(3-4), 303-326.

Gerdin, J. and Greve, J. (2008). The appropriateness of statistical methods for testing contingency hypotheses in management accounting research. *Accounting, Organizations and Society*, 33(7-8), 995-1009.

Ghartey, J.B. (1985). Accountability, the threshold of political instability and underdevelopment misery: the case of Africa. *The International Journal of Accounting and Education Research*, 21, 143-158.

Gilovich, T., Griffin, D. And Kahneman, D. (Eds.). (2002). *Heuristics and Biases: The Psychology of Intuitive Judgement*. Cambridge University Press, New York.

Gordon, L. and Miller, D. (1976). A contingency framework for the design of accounting information systems. *Accounting, Organizations and Society*, 1(1), 59-69.

Gordon, L. A. and Narayanan, V. K. (1984). Management accounting systems perceived environmental uncertainty and organizational structure: An empirical investigation. *Accounting, Organizations and Society*, 9(1), 33-47.

Grabner, I. and Moers, F. (2013). *Management Control as a System or a Package? Conceptual and Empirical Issues*, Available at SSRN: <https://ssrn.com/abstract=2250062> or <http://dx.doi.org/10.2139/ssrn.2250062>

- Graham, L. E. and Li, C. (1997). Cultural and economic influences on current accounting standards in the People's Republic of China. *International Journal of Accounting*, 32 (3), 247-278.
- Granlund, M. and Malmi, T. (2002). Moderate impact of ERPS on management accounting: a lag or permanent outcome. *Management Accounting Research*, 13, 299-321.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. and Lounsbury, M. (2011). Institutional complexity and organizational responses. *Academy of Management Annals*, 5(1), 317-371.
- Guerreiro, R., Pereira, C.A. and Frezatti, F. (2006). Evaluating management accounting change according to the institutional theory approach: a case study of a Brazilian bank. *Journal of Accounting & Organizational Change*, 2(3), 196-228.
- Guilting, C. (2006). Investment appraisal issues arising in hotels governed by a management contract. In P. J. Harris and M. Mongiello (Eds.), *Accounting and financial management: Developments in the international hospitality industry*. (pp. 400 - 422). Oxford: Butterworth-Heinemann.
- Handy, C. (1995). *The Empty Raincoat: Making Sense of the Future*. Arrow Business, London.
- Haka, S. F. (1987). Capital budgeting techniques and firm specific contingencies: A correlational analysis. *Accounting, Organizations and Society*, 12(1), 31-48.
- Haka, S. F. (2007). *A Review of the literature on capital budgeting and investment appraisal: past, present, and future musings*. In: Chapman, C.S., Hopwood, A.G., Shields, M.D. (Eds.), *Handbook of Management Accounting Research*, Vol. 2. Elsevier, Oxford, p. 697-728.
- Harvey, D. (2005). *Spaces of neo liberalization: towards a theory of uneven geographical development*. Stuttgart: Franz Steiner Verlag.
- Harvey, D. (2005). *A brief history of neo-liberalism*. Oxford: Oxford University Press.

- Hartmann, F. G. H. and Moers, F. (1999). Testing contingency hypotheses in budgetary research: an evaluation of the use of moderated regression analysis. *Accounting, Organizations and Society*, 24(4), 291-315.
- Henderson, J., Dicken, P., Hess, M., Coe, N. and Yeung, H. W.-C. (2002). Global Production Networks and the Analysis of Economic Development. *Review of International Political Economy*, 9(3), 436-464.
- Henri, J-F. (2006). Management control systems and strategy: A resource-based perspective. *Accounting, Organizations and Society*, 31(6) 529-558.
- Held, D. (1980). *Introduction to critical theory*. London: Heinemann.
- Hennink, M., Hutter, I. and Bailey, A. (2010). *Qualitative Research Methods*, SAGE 2010.
- Henri, J.F. (2006b). Organizational culture and performance measurement systems. *Accounting, Organizations and Society*, 31 (1), 77-103.
- Hewege, C. R. (2011). Acculturation and management control—Japanese Soul in Sri Lankan Physique. *Contemporary Management Research*, 7, 3-20.
- Hewege, C. R. (2012). A critique of the mainstream management control theory and the way forward. *SAGE Open*, 2 (4), 1-11.
- Hirsch, P. (1975). Organizational Effectiveness and the Institutional Environment. *Administrative Science Quarterly*, 20(3), 327-344.
- Ho, J. L.Y., Wu, A. and Wu, S. Y.C. (2014). Performance measures, consensus on strategy implementation, and performance: Evidence from the operational-level of organizations. *Accounting, Organizations and Society*, 39(1), 38-58.
- Homans, G. (1950). *The Human Group*. Harcourt and Brace, New York.
- Hofstede, G. H. (1968). *The Game of Budget Control*. Tavistock, London.
- Hofstede, G. H. (1978). The Poverty of Management Control Philosophy. *Academy of Management Review*, July.
- Hofstede, G. H. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations*, second ed. Sage Publications, Thousand Oaks, CA.



- Hopper, T. (2012). *Handbook of accounting and development*. Edward Elgar Publishing.
- Hopper, T., Cooper, D. J., Lowe, T., Capps, T. and Mouritsen, J. (1986). *Management control and worker resistance in the National Coal Board: financial controls in the labour process*. In: D. Knights and H. Willmott (Eds). *Managing the Labour Process*. London: Gower, 109-141.
- Hopper, T. and Powell, A. (1985). Making sense of research in to the organizational and social aspects of management accounting: A review of the underlying assumptions. *Journal of Management Studies*, 22, 429-465.
- Hopper, T., Lassou, P. and Soobaroyen, T. (2017). Globalisation, accounting and developing countries. *Critical Perspectives on Accounting*, 43, 125-148.
- Hopper, T. and Macintosh, N. (1993). Management accounting as disciplinary practice: the case of ITT under Harold Geneen. *Management Accounting Research*, 4(3), 181-216.
- Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. (2009). Management accounting in less developed countries: What is known and needs knowing. *Accounting, Auditing & Accountability Journal*, 22(3), 469-514.
- Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. (2012a). *Introduction: Accounting and development*. In: Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. eds. *Handbook of accounting and development*. Massachusetts: Edward Elgar Publishing, Inc, 1-14.
- Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. (2012b). *Management control after privatization: Illustrations from less developed countries*. In: Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. eds. *Handbook of accounting and development*. Massachusetts: Edward Elgar Publishing, Inc, 206-223.
- Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. (2012). *Handbook of Accounting and Development*. Edward Elgar, Cheltenham.
- Hopper, T. and Bui, B. (2016). Has management accounting research been critical. *Management accounting research*, 31,10-30.

- Hopper, T., Lassou, P. and Soobaroyen, T. (2017). Globalisation, accounting and developing countries. *Critical Perspectives on Accounting*, 43, 125-148.
- Hopwood, A. (1972). An empirical study of the role of accounting data in performance evaluation. *Journal of Accounting Research*, 10, 82-152.
- Hopwood, A. G. (1974a). *Accounting and Human Behaviour*. London, Prentice-Hall.
- Hopwood, A. G. (1974b). Leadership Climate and the Use of Accounting Data in Performance Evaluation. *The Accounting Review*, 485-495.
- Hoque, A. and Hopper, T. (1994). Rationality, Accounting and Politics: A Case Study of Management Control in a Bangladeshi Jute Mill. *Management Accounting Research*, 5(1), 5-30.
- Hoskin, K. and Macve, R. (1986). Accounting and the examination: A genealogy of disciplinary power. *Accounting, Organizations and Society*, 11 (2), 105-136.
- How, S. M and Alawattage, C. (2012). Accounting decoupled: A case study of accounting regime change in a Malaysian Company. *Critical Perspectives on Accounting*, 3, 404-419.
- ICAS (2010). Chinese accounting reform: Towards a principles-based global regime. Available at <https://www.iasplus.com/en/binary/china/1006icaschinaaccountingreform.pdf>
- IFRS (2020). Who uses IFRS standards? Available at <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/>
- Ittner, C.D., Larcker, D.F. and Meyer, M.W. (2003). Subjectivity and the weighting of performance measures: Evidence from a balanced scorecard. *The Accounting Review*, 78 (3), 725-759.
- Jensen, M. and Meckling, W. (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-360.
- Jones, T.C. and Dugdale, D. (2002). The ABC bandwagon and the juggernaut of modernity. *Accounting, Organizations and Society*, 27(1/2), 121-163.
- Jones, C. and Sefiane, C. (1992). The Use of Accounting Data in Operational Decision Making in Algeria. *Accounting Auditing and Accountability Journal*, 5(4), 71-83.

- Jørgensen, B. and Messner, M. (2009). Management control in new product development: The dynamics of managing flexibility and efficiency. *Journal of Management Accounting Research*, 21, 99-124.
- Jørgensen, B. and Messner, M. (2010). Accounting and strategizing: A case study from new product development. *Accounting, Organizations and Society*, 35, 184-204.
- Jordan, S. and Messner, M. (2012). Enabling control and the problem of incomplete performance indicators. *Accounting, Organizations and Society*, 37(8), 544-568.
- Justesen, L. and Mik-Meyer, N. (2012). *Qualitative Research Methods in Organisation Studies*. København: Gyldendal 2012, 153.
- Justesen, L. and Mouritsen, J. (2011). Effects of actor-network theory in accounting research. *Accounting, Auditing & Accountability Journal*, 24 (2), 161-193.
- Justesen, L. and Mouritsen, J. (2018). *Actor-network Theory and Accounting Research. Methodological Issues in Accounting Research: Theories and Method*, 2<sup>nd</sup> edition. Zahirul Hoque. London: Spiramus Press, 422-441.
- Justesen, L. (2020). *Actor-network Theory as Analytical Approach*. In: *Qualitative Analysis: Eight Approaches for the Social Sciences*. London: SAGE Publications, 329-343.
- Kakkuri-Knuuttila, M.L., Lukka, K. and Kuorikoski, J. (2008). Straddling between paradigms: a naturalistic philosophical case study on interpretive research in management accounting. *Accounting, Organizations and Society*, 33 (2-3), 267-291.
- Kaplan R.S. and Norton D.P. (1996). *Translating Strategy into Action*, Harvard Business School Press.
- Kaplan R.S. and Norton D.P. (2001). *The Strategy-focused Organisation*. Boston Harvard Business School Press.
- Kaplan R.S. and Norton D.P. (2004). Measuring the Strategic Readiness of Intangible Assets. *Harvard Business Review*, 1-4.

- Kaplan, R.S. and Norton, D.P. (2006). How to implement a new strategy without disrupting your organization. *Harvard Business Review*, 84(3), 109-150.
- Kaplan, R.S. and Norton, D.P. (2008). Mastering the Management System. *Harvard Business Review*, 86 (1), 63-77.
- Khandwalla, P.N. (1972). The effect of different types of competition on the use of management controls. *Journal of Accounting Research*, 10(2), 275-285.
- Kober, R., Ng, J. and Paul, B.J. (2007). The interrelationship between management control mechanisms and strategy. *Management Accounting Research*, 18 (4), 425-452.
- Kornbergera, M., Pflueger, D. and Mouritsen, J. (2017). Evaluative infrastructures: Accounting for platform organization. *Accounting, Organizations and Society*, 60, 79-95.
- Kruis, A-M., Speklé, R. F. and Widener, S. K. (2015). The levers of control framework: An exploratory analysis of balance. *Management Accounting Research*, 27-44.
- Langfield-Smith, K. (1997). Management control systems and strategy: a critical review. *Accounting, Organizations and Society*, 22, 207-232.
- Langfield-Smith, K. (2005). *What Do We Know about Management Control Systems and Strategy?* In: Chapman, C.S. (Ed.). *Controlling Strategy*. Oxford University Press, New York, pp. 62-85.
- Langfield-Smith, K. (2007). *A review of quantitative research in management control systems and strategy*. In C. S. Chapman, A. G. Hopwood, and M. D. Shields (Eds.). *Handbook of Management Accounting Research*, 1<sup>st</sup> ed., 2, 753-783.
- Langfield-Smith, K. and Smith, D. (2003). Management control systems and trust in outsourcing relationships. *Management Accounting Research*, 14, 281-307.
- Lassou, P., Hopper, T., Tsamenyi, M. and Murinde, V. (2019) Varieties of neo-colonialism: government accounting reforms in Anglophone and Francophone Africa - Benin and Ghana compared. *Critical Perspectives on Accounting*, 65, 1-10.
- Latour, B. (1987). *Science in action: How to follow scientists and engineers through society*, Open University Press, Milton Keynes.

- Latour, B. (2005). *Reassembling the social: An introduction to actor-network-theory*. Oxford university press.
- Latour, B. (2005c). Networks, Societies, Spheres: Reflections of an Actor-Network Theorist. *International Journal of Communication*, 5(1), 796-810.
- Law, J. (1991). *Introduction: monsters and socio-technical relations*, in *A sociology of monsters: essays on power, technology and domination*, J Law, ed., Routledge, London/ New York, 1-23.
- Law, J. (1991). *Power, Discretion and Strategy*. in John Law (ed.), *A Sociology of Monsters; Essays on Power, Technology and Domination*, *Sociological Review Monograph 38*, London, Routledge, 165-91.
- Law, J. (1992). Notes on the Theory of the Actor Network: Ordering, Strategy and Heterogeneity, published by the Centre for Science Studies, Lancaster University, Lancaster LA1 4YN, at <http://www.comp.lancs.ac.uk/sociology/papers/Law-Notes-on-ANT.pdf>
- Law, J. (1997). 'Traduction/Trahison: Notes on ANT', published by the Centre for Science Studies, Lancaster University, Lancaster LA1 4YN, at <http://www.comp.lancs.ac.uk/sociology/papers/Law-Traduction-Trahison.pdf>
- Law, J. (2009). *Actor network theory and material semiotics*. The new Blackwell companion to social theory. Wiley-Blackwell.
- Lawrence, P. and Lorsch, J. (1967). Differentiation and Integration in Complex Organizations. *Administrative Science Quarterly*, 12, 1-48.
- Lefebvre, C. and Lin, L. (1990). Internationalization of financial accounting in the People's Republic of China. *International Journal of Accounting*, 25 (3), 170-183.
- Leifer, R. and Huber, G. (1977). Relations Among Perceived Environmental Uncertainty, Organizational structure, and Boundary-Spanning Behaviour. *Administrative Science Quarterly*, 22 (2), 235-247.
- Liang, B. (2007). *The changing Chinese legal system, 1978-present: Centralization of power and rationalization of the legal system*. Routledge.

- Liang, X., Wang, L. and Cui, W. (2014). Chinese Private Firms and Internationalization: Effects of Family Involvement in Management and Family Ownership. *Family Business Review*, 27(2), 126-141.
- Libby, T. and Lindsay, R.M. (2010). Beyond budgeting or budgeting reconsidered? A survey of North-American budgeting practice. *Management accounting research*, 21(1), pp.56-75.
- Lin, X. and Germain, R. (2003). *Organizational structure, context, customer orientation, and performance: lessons from Chinese state-owned enterprises*. *Strat. Mgmt. J.*, 24: 1131-1151.
- Lingeswaran, S. (2019). China unleashed: how family business powers the Chinese economy. *Campden Wealth (online)*. 23rd September. Available from: <https://www.campdenfb.com/article/china-unleashed-how-family-business-powers-chinese-economy>
- Lin, X. and Germain, R. (2003). Organizational structure, context, customer orientation, and performance: lessons from Chinese state-owned enterprises. *Strategic management journal*, 24(11), 1131-1151.
- Liu, X. (2008). SME Development in China: A Policy Perspective on SME Industrial Clustering', in Lim, H. (ed.), *SME in Asia and Globalization*, ERIA Research Project Report 2007-5, 37-68. Available at: [http://www.eria.org/SME%20Development%20in%20China\\_A%20Policy%20Perspective%20on%20SME%20Industrial%20Clustering.pdf](http://www.eria.org/SME%20Development%20in%20China_A%20Policy%20Perspective%20on%20SME%20Industrial%20Clustering.pdf)
- Llewellynn, S. and Northcott, D. (2005). The average hospital. *Accounting, Organizations and Society*, 30(6), 555-83.
- Lowe, A. (2001a). After ANT—an illustrative discussion of the implications for qualitative accounting case research. *Accounting, Auditing & Accountability Journal*, 14(3), 327-351.
- Lowe, A. (2004a). Post-social relations: toward a performative view of accounting knowledge. *Accounting, Auditing & Accountability Journal*, 17(4), 604-628.
- Lowe, A. and R, Shaw. (1968). An Analysis of Managerial Biasing: Evidence from a Company's Budgeting Process. *Journal of Management Studies*, 304-315.

- Lowe, C. (1933). *Facing labour issues in China*. China institute of pacific relations, Shanghai.
- Lowe, E. A. and Machin, J. L. J. (1983). 'Management Control Systems: Whence and Whither?' pp. 22-42. In: E. A. Lowe and J. L. J. Machin (eds), *New Perspectives in Management control*. Macmillan, London.
- Lundberg, N. (2000). In *Department of Informatics. School of Economics and Commercial Law*, Goteborg University, Goteborg.
- Luft, J. and Shields, M.D. (2003). Mapping management accounting: graphics and guidelines for theory-consistent empirical research. *Accounting, Organizations and Society*, 28, 169-249.
- Lukka, K. (2007). Management accounting change and stability: Loosely coupled rules and routines in action. *Management Accounting Research*, 18(1), 76-101.
- Macintosh, N. B. (1985). Human relations and budgeting systems, *Readings in Accounting for Management Control*, 215-231.
- Macintosh, N. B. and Daft, R. L. (1987). Management control systems and departmental interdependencies: An empirical study. *Accounting, Organizations and Society*, 12(1), 49-61.
- Macintosh, N. B. (1994). *Management Accounting and Control Systems, An Organizational and Behavioural Approach*. John Wiley and Sons, Chichester.
- MacKenzie, D. (2009). Making things the same: gases, emission rights and the politics of carbon markets. *Accounting, Organizations and Society*, 34(3-4), 440-455.
- Malina, M.A. and Selto, F.H. (2001). Communicating and controlling strategy; an empirical study of the effectiveness of the balanced scorecard. *Journal of Management Accounting Research*, 13, 47-90.
- Malmi, T. and Brown, D. (2008). Management control systems as a package—Opportunities, challenges and research directions. *Management Accounting Research*, 19(4), 287-300.
- March, J. and H. A. Simon (1958). *Organizations*. New York: John Wiley

- Martinez, D.E. (2011). Beyond disciplinary enclosures: Management control in the society of control. *Critical Perspectives on Accounting*, 22(2), 200-211.
- Mason, J. (2018). *Qualitative researching*. 3rd edition. Sage London.
- McIver, R (2009). China's national banking system: commercialisation and financial stability. *International Journal of Economic Policy in Emerging Economies*, 2(4), 391-414.
- Meidell, A. and Kaarbøe, K. (2017). How the enterprise risk management function influences decision-making in the organization - A field study of a large, global oil and gas company. *British Accounting Review*, 49, 39-55.
- Merchant, K. A. (1984). Influences on departmental budgeting: an empirical examination of a contingency model. *Accounting Organizations and Society*, 9, (3-4), 291-307.
- Merchant, K. A. (1985). *Control in Business Organizations*, Pitman, Boston.
- Merchant, K. A. (1990). The effects of financial controls on data manipulation and management Myopia. *Accounting, Organizations and Society*, 15(4), 297-313.
- Merchant, K. A. and R. Simons (1986). Research and Control in Complex Organizations: An Overview. *Journal of Accounting Literature*, 183-203.
- Miller, P. (1991). Accounting innovation beyond the enterprise: Problematizing investment decisions and programming economic growth in the U.K. in the 1960s. *Accounting, Organizations and Society*, 16(8), 733-762,
- Miller, P. and O'Leary, T. (1987). Accounting and the construction of the governable person. *Accounting, Organizations and Society*, 12 (3), 235-265.
- Miller, P. and O'Leary, T. (1997). Capital Budgeting Practices and Complementarity Relations in the Transition to Modern Manufacture: a field-based analysis. *Journal of Accounting Research*, 35, 257-271.
- Mills, A. E. (1970). Management Controls and Integration at the Conceptual Level. *Journal Management Studies*, 364-375.
- Mintzberg, H. (1973). *The Nature Managerial Work*, Harper and Row, London.



- Mintzberg, H. (1975). The Managers Job: Folklore and Fact. *Harvard Business Review*, 49-61.
- Moss, T. (2003). *Adventure Capitalism: Globalization and the Political Economy of Stock Markets in Africa*, Palgrave Macmillan, London.
- Mouritsen, J. and Larsen, H.T. (2005). The 2nd wave of knowledge management: re-centring knowledge management through intellectual capital information. *Management Accounting Research*, 16(3), 359-383.
- Mouritsen, J. and Thrane, S. (2006). Accounting, network complementarities and the development of inter-organisational relations. *Accounting Organizations and Society*, 31(3), 241-275.
- Murphy, R. (2008). *Labour Migration and Social Development in Contemporary China*. Routledge, London.
- National Bureau of Statistics (2021). *Statistical Communiqué of the People's Republic of China on the 2020 National Economic and Social Development*. [http://www.stats.gov.cn/english/PressRelease/202102/t20210228\\_1814177.htm](http://www.stats.gov.cn/english/PressRelease/202102/t20210228_1814177.htm)
- Naughton, B. (1993). Deng Xiaoping: the economist. *The China Quarterly*, 491-514.
- Negandhi, A. and Reimann, B. (1972). A Contingency Theory of Organisation Re-Examined in the Context of a Developing Country. *Academy of Management Journal*, 15(2), 137-146.
- Neimark, M. and Tinker, T. (1986). The social construction of management control systems. *Accounting, Organizations and Society*, 11(4-5), 369-395.
- Neu, D. and Heincke, M. (2004). The subaltern speaks: financial relations and the limits of governmentality. *Critical Perspectives on Accounting*, 15(1), 179-206.
- Neu, D., Gomez, E., Graham, C. and Heincke, M. (2006). Informing technologies and the World Bank. *Accounting, Organizations and Society*, 31 (7), 635-662.
- Nobes, C. And Parker, R. (2016). *Comparative International Accounting*, Pearson, 13<sup>th</sup> edition.

- Nyland, K., Morland, C. and Burns, J. (2017). The interplay of managerial and non-managerial controls, institutional work, and the coordination of laterally dependent hospital activities. *Qualitative Research in Accounting and Management*, 14(4), 467-495.
- O'Connor, N., Chow, C. and Wu, A. (2004). The adoption of "Western" management accounting/controls in China's state-owned enterprises during economic transition. *Accounting, Organizations and Society*, 29, 349-375.
- Orton, J. D. and Weick, K. E. (1990). Loosely coupled systems A reconceptualization. *Academy of Management Review*, 15, 203-223.
- Otley, D. T. (1980). The contingency theory of management accounting: Achievement and prognosis. *Accounting, Organizations and Society*, 5(4), 413-428.
- Otley, D. T. and Berry, A. J. (1980). Control, Organization and Accounting. *Accounting, Organizations and Society*, 231-244.
- Otley, D. T. (1983). Concepts of Control: The Contribution of Cybernetics and Systems Theory to Management Control. In: E. A. Lowe and J. L. J. Machin (eds). *New Perspectives in Management Control*. Macmillan, London.
- Otley, D. T. (1994). Management Control in Contemporary organizations: Towards A Wider Framework. *Management Accounting Research*, 289-299.
- Otley, D. T., Broadbent, J. and Berry, A. J. (1995). Research in management control: An overview of its development. *British Journal of Management*, 6, S31-S44
- Otley, D. T. (1999). Performance management: a framework for management control systems research. *Management Accounting Research*, 10, 363-382.
- Otley, D. T. (2016). The contingency theory of management accounting and control: 1980-2014. *Management Accounting Research*, 31, 45-62.
- Ouchi, W. G. (1979). A conceptual framework for the design of organizational control mechanisms. *Administrative Science Quarterly*, 24, 833-848.
- Parboteeah, P. and Kapp, E. (2008). Ethical Climates and Workplace Safety Behaviors: An Empirical Investigation. *Journal of Business Ethics*, 80(3), 515-529.

- Parker, L. D. (1986). *Developing control concepts in the 20<sup>th</sup> century*. New York, NY: Garland.
- Perera, S., Harrison, G. and Poole, M. (1997). Customer-focused manufacturing strategy and the use of operations-based non-financial performance measures: A research note. *Accounting, Organizations and Society*, 22(6), 557-572.
- Perez-Freije, J. and Enkel, E. (2007). Creative tension in the innovation process: How to support the right capabilities. *European Management Journal*, 25(1), 11-24.
- Perrow, C. B. (1967). A framework for the comparative analysis of organizations. *American Sociological Review*, 32, 194-208.
- People's Daily Online (2018). *National Development and Reform Commission: the proportion of private economy in GDP exceeds 60%, supporting "half of China's economy"*. <http://m.people.cn/n4/2018/0906/c120-11567541.html>
- Pfeffer, J. and Salanick, G. (1978). *The External Control of Organizations*. New York; Harper and Row publishers.
- Pines, Y. (2008). *Envisioning eternal empire: Chinese political thought of the Warring States era*. University of Hawaii Press.
- Pisar, P. and Bilkova, D. (2019). Controlling as a tool for SME management with an emphasis on innovations in the context of Industry 4.0. Equilibrium. *Quarterly Journal of Economics and Economic Policy*, 14(4), 763-785.
- Pistrui, D., Huang, W., Oksoy, D., Jing, Z. and Welsch, H. (2001). Entrepreneurship in China: Characteristics, Attributes, and Family Forces Shaping the Emerging Private Sector. *Family Business Review*, 14(2), 141-152.
- Power, M. (1996a). Making things auditable. *Accounting, Organizations and Society*, 21(2/3), 289-315.
- Prakash, P. and Rappaport, A. (1977). Information inductance and its significance for accounting. *Accounting, Organizations and Society*, 2 (1), 29-38.
- Preston, M., Cooper, D. and Coombs, R. (1992). Fabricating budgets: A study of the production of management budgeting in the national health service. *Accounting, Organizations and Society*. 17(6), 561-593.

- Quattrone, P. and Hopper, T. (2001). What does organizational change mean? Speculations on a taken for granted category. *Management Accounting Research*, 12 (4), 403-35.
- Quattrone, P. and Hopper, T. (2005). A 'time-space odyssey': management control systems in two multinational organisations". *Accounting, Organizations and Society*, 30 (7-8), 735-764.
- Rahman, M. and McCosh, A. (1976). The influence of organisational and personal factors on the use of accounting information: An empirical study. *Accounting, Organizations and Society*, 1(4), 339-355.
- Ranasinghe, S. B. and Wickramasinghe, D. (2021) Unveiling a postcolonial neoliberalism: hybridised controls and emancipatory potentials for tea-plucking women in Sri Lanka. *Accounting, Auditing and Accountability Journal*, 34(3), 651-679.
- Revellino, S. and Mouritsen, J. (2015). Accounting as an engine: The performativity of calculative practices and the dynamics of innovation. *Management Accounting Research*, 28, 31-49.
- Robson, K. (1991). On the arenas of accounting change: the process of translation. *Accounting, Organizations and Society*, 16 (5-6), 547-70.
- Robson, K. (1992). Accounting numbers as 'inscription': action at a distance and the development of accounting". *Accounting, Organizations and Society*, 17 (7), 685-708.
- Roslender, R. (2017). *The Routledge companion to critical accounting*. Routledge.
- Ryan, B., Scapens, R. W. and Theobald, M. (2002). *Research method and methodology in finance and accounting*, 2nd Ed., Thomsom.
- Saam, N. (2007). Asymmetry in information versus asymmetry in power: Implicit assumptions of agency theory. *The Journal of Socio-Economics*, 36(6), 825-840.
- Schiff, M. and A. Y. Lewin. (1970). The Impact of People on Budgets. *The Accounting Review*. April, 259-268.
- Scott, W. R. (1981). Developments in organizational theory: 1960-1980. *American Behavioural Scientist*, 24, 407-422.

- Selto, F. H., Renner, C. J. and Young, S. M. (1995). Assessing the organizational fit of a just-in-time manufacturing system: Testing selection, interaction and systems models of contingency theory. *Accounting, Organizations and Society*, 20(7-8), 665-684.
- Shank, J.K. (1996). Analysing technology investment-from NPV to strategic cost management (SCM). *Management Accounting Research*, 7, 185-197.
- Silverman, D. (2013). *Doing qualitative research: A practical handbook*. Sage.
- Simon, H. A. (1976). *Administrative behaviour: A study of decision-making processes in administrative organization* (3rd ed.). Free Press.
- Simons, R. (1987a). Accounting control systems and business strategy: an empirical analysis. *Accounting, Organizations and Society*, 12, 357-374.
- Simons, R. (1987b). *Planning, control, and uncertainty: a process view*. In: W. J. Bruns and R. S. Kaplan (Eds), *Accounting and Management Field Study Perspectives*. Boston, MA: Harvard Business School Press.
- Simons, R. (1990). The role of management control systems in creating competitive advantage: new perspectives. *Accounting, Organizations and Society*, 15, 127-143.
- Simons, R. (1995). *Levers Control*. Harvard Business of School Press.
- Simon, H. A., Kozmetsky, G., Guetzkow, H. and Tyndall, G. (1954). *Centralization vs decentralization in organizing the controller's department*. New York, The Controllershship Foundation.
- Smith, J.A., Morris, J. and Ezzamel, M. (2005). Organisational change, outsourcing and the impact on management accounting. *The British Accounting Review*, 37, 415-441.
- Spicer, B. H. and Ballew, V. (1983). Management Accounting Systems and The Economics of Internal Organization. *Accounting Organizations and Society*, 73-96.
- Spinuzzi, J. (2008). *Network*. Cambridge University Press, Cambridge.
- Stergiou, K., Ashraf, J. and Uddin, S. (2013). The role of structure and agency in management accounting control change of a family owned firm: a Greek case study. *Critical Perspectives on Accounting*, 24 (1), 62-73.

- Stringer, C. (2006). Forest certification and changing global commodity chains. *Journal of Economic Geography*, 6(5), 701-722.
- Suchman, L. (2000). Organizing Alignment: A Case of Bridge Building. *Organization*, 7(2), 311-327.
- Tang, Y., Wang, P. and Zhang, Y. (2007). Marking and business performance of construction SMEs in China. *Journal of Business and Industrial marketing*, 22(2), 118-125.
- Thompson, J. D. (1967). *Organizations in action*. New York: McGraw-Hill.
- Tsamenyi, M., Noormansyah, I. and Uddin, S. (2008). Management controls in Family-owned business (FOBs): A case study of an Indonesian family-owned University. *Accounting Forum*, 32(1), 62-74.
- Tsang, E.W. (2002). Learning from overseas venturing experience: The case of Chinese family businesses. *Journal of Business venturing*, 17(1), 21-40.
- Tsou, T. (1969). The Cultural Revolution and the Chinese Political System. *The China Quarterly*, 38, 63-91.
- Tuomela, T. S. (2005). The Interplay of different levers of control: A case study of introducing a new performance measurement system. *Management Accounting Research*, 293-320.
- Uddin, S. and Hopper, T. (1999). *Management control, ownership and development: experiences in privatised Bangladeshi enterprise*, in Mackintosh, M. and Roy, R. (Eds), *Macro-reforms and Micro-processes: Political Economy and Economic Management*, Elgar, London.
- Uddin, S. and Hopper, T. (2001). A Bangladesh soap opera: Privatisation, accounting, and regimes of control in a less developed country. *Accounting, Organization and Society*, 26, 643-672.
- Uddin, S. and Hopper, T. (2003). Accounting for privatisation in Bangladesh: Testing World Bank claims. *Critical Perspectives on Accounting*, 14 (7), 739-774.
- Uddin, S. and Tsamenyi, M. (2005). Public sector reforms and the public interest: A case study of accounting control changes and performance monitoring in a

- Ghanaian state-owned enterprise. *Accounting, Auditing & Accountability Journal*, 18, 618-674.
- Van der Meer-Kooistra, J. and Scapens, R.W. (2004). *The governance of lateral relations: between and within organisations*. Paper presented at the Annual Congress of the European Accounting Association, Prague.
- Velayutham, S. and Perera, M.H.B. (1996). The influence of underlying metaphysical notions on our interpretation of accounting. *Accounting, Auditing & Accountability Journal*, 9(4), 65-85.
- Verbeeten, F.H. and Speklé, R.F. (2015). Management control, results-oriented culture and public sector performance: Empirical evidence on new public management. *Organization studies*, 36(7), 953-978.
- Vickers, G. (1965). *The art of judgement, a study of policy making*. New York, Springer US.
- Vickers, G. (1967). *Towards a Sociology of Management*. London, Chapman and Hall.
- Walker, S.P. (2016). Revisiting the roles of accounting in society. *Accounting, Organizations and Society*, 49, 41-50.
- Walsh, E. J. and Stewart, R. E. (1993). Accounting and the construction of institutions: The case of a factory. *Accounting, Organization and Society*, 18, 783-800.
- Walsham, G. (1995). The emergence of interpretivism in IS research. *Information systems research*, 6, 376-394.
- Whittle, A. and Spicer, A. (2008). *Is Activity-network theory critique?* SAGE Publication.
- Wickramasinghe, D. (2015). Getting management accounting off the ground: post-colonial neoliberalism in healthcare budgets. *Accounting and Business Research*, 45(3), 323-355.
- Wickramasinghe, D. and Alawattage, C. (2007). *Management accounting change: approaches and perspectives*. Routledge. London, United Kingdom.

- Wickramasinghe, D., Cooper, C. and Alawattage, C. (2021). Neoliberalism and management accounting: reconfiguring governmentality and extending territories. *Accounting, Auditing & Accountability Journal*, 34(3), 489-504.
- Wickramasinghe, D. and Hopper, T. (2005). A cultural political economy of management accounting controls: A case study of a textile Mill in a traditional Sinhalese village. *Critical Perspectives on Accounting*, 16 (4), 473-503.
- Wickramasinghe, D., Hopper, T. and Rathnasiri, C. (2004). Japanese cost management meets Sri Lankan politics: Disappearance and reappearance of bureaucratic management controls in a privatised utility. *Accounting, Auditing & Accountability Journal*, 17 (1), 85-120.
- Wiener, N. (1948). *Cybernetics*. Cambridge, MA: MIT Press.
- Williamson, O. E. (1976). The Economics of Internal Organization: Exit and Voice in Relation to Markets and Hierarchies. *American Economics Review*, May, 369-377.
- Williamson, O. E. (1979). Transaction Cost Economics: The Governance of Contractual Relations. *The Journal of Law and Economics*, 233-261.
- Williamson, O. E. (1980). *Organizational Innovation: The Transaction Cost Approach*. Working Paper, University of Pennsylvania.
- Williamson, O. E. and Ouchi, W. G. (1981). The Markets and Hierarchies and Visible Hand Perspectives, in Van der Ven R. and Joyce W. (eds.). *Perspective on Organization Design and Behaviour*, 347-369, 387-390.
- Winkle, G., Huss, H. and Chen, X. (1994). Accounting standards in the People's Republic of China: responding to economic reforms. *Accounting Horizons*, 8 (3), 48-57.
- Woodward, J. (1958). *Management and Technology*, HMSO, London.
- Woodward, J. (1965). *Industrial Organization: Theory and Practice*. Oxford University Press.
- Woodward, J. (1970). *Industrial Organization: Theory and Practice*. Oxford University Press.
- Wren, P. A. (1994). *The Evolution of Management Thought* (4th edition). Wiley, Chichester.



Xiang, H. C. (1999). *Public finance in China 50 years on*. Beijing: China Finance and Economics Press.

Xinhuanet. (2019). *China's small, medium enterprises important contributors to economy: report*. [www.xinhuanet.com/english/2019-12/28/c\\_138663819.htm](http://www.xinhuanet.com/english/2019-12/28/c_138663819.htm)

Yin, Robert. (2015). *Qualitative Research from Start to Finish*. Second Edition. Guilford Press.

Young, A. (1995). The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience. *The Quarterly Journal of Economics*, 110(3), 641-680.

Zhou, Z. H. (1988). Chinese accounting systems and practices. *Accounting, Organizations and Society*, 13 (2),207-224.