Management control systems design within its organizational context: findings from contingency-based research and directions for the future

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Abstract

Contingency-based research has a long tradition in the study of management control systems (MCS). Researchers have attempted to explain the effectiveness of MCS by examining designs that best suit the nature of the environment, technology, size, structure, strategy and national culture. In recent years, contingency-based research has maintained its popularity with studies including these variables but redefining them in contemporary terms. This paper provides a critical review of findings from contingency-based studies over the past 20 years, deriving a series of propositions relating MCS to organizational context. The paper examines issues related to the purpose of MCS, the elements of MCS, the meaning and measurement of contextual variables, and issues concerning theory development. A final section considers the possibility that contingency-based ideas could encompass insights from a variety of theories to help understand MCS within its organizational context. © 2002 Elsevier Science Ltd. All rights reserved.

1. Introduction

The three purposes of this paper are to provide a review of empirical, contingency-based research as it has developed since the early 1980s, to critically evaluate this work, and consider a variety of theoretical foundations that may assist in developing future research. The review is based, in the main, on research employing survey-based methods that has been published in a broad selection of accounting and management journals.¹ The review is selective and illustrative of issues pertinent to the development of a contingency-based framework for the design of MCS, and does not attempt a comprehensive coverage of relevant research.

The paper is structured as follows. The next section introduces the area of contingency-based MCS research and provides an overview of findings over the past 20 years. The following nine sections review articles in terms of their contribution to understanding topics considered within contingency-based research. These are: the meaning

¹ The journals include: Accounting, Organizations and Society; Accounting and Business Research; Accounting and Finance; Accountability and Performance, Behavioral Research in Accounting; Journal of Accounting Research; Journal of Accounting and Economics; Journal of Accounting and Public Policy; Journal of Cost Management; Journal of Financial Economics; Journal of Management Accounting Research; Management Accounting Research; The Accounting Review. In addition, several articles are drawn from management journals: Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Decision Science, Management Science and OMEGA.
of MCS, outcomes of MCS, and the contextual variables of external environment, technology (traditional and contemporary), organizational structure, size, strategy and national culture. Each section comprises two parts: first, findings from the extant literature are presented and a series of propositions summarizing these findings are offered; and second, critical issues concerning each variable are examined with a view to identifying areas that provide challenges for improvement and opportunities for future research. Following these sections, issues concerning theory development are examined. Finally, the potential role of a variety of theories in progressing understanding of contingency-based research in MCS is considered.

2. An organizational framework for contingency-based MCS research

The identification of contextual variables potentially implicated in the design of effective MCS can be traced to the original structural contingency frameworks developed within organizational theory. Theorists such as Burns and Stalker (1961), Perrow (1970), Thompson (1967), Lawrence and Lorsch (1967), and Galbraith (1973) focused on the impact of environment and technology on organizational structure. Early accounting researchers drew on this work to investigate the importance of environment, technology, structure and size to the design of MCS. Reviews conducted 20 years ago by Waterhouse and Tiessen (1978) and Otley (1980) were able to structure their commentaries by categorizing the early research into these key variables.

In considering MCS research since 1980, it is apparent that these key variables have been confirmed as descriptors of fundamental, generic elements of context. Many recent studies, included in this review, focus on contemporary aspects of the environment, technologies and structural arrangements. They draw on the original organizational theorists to develop arguments that help explain how the effectiveness of MCS depends on the nature of contemporary settings. Also, recent research has considered the relevance of additional contextual variables to the design of MCS. Perhaps the most important new stream of literature has been that related to the role of strategy. This has been assimilated within the traditional organizational model in ways that suggest important links between strategy, the environment, technology, organizational structure and MCS (see Langfield-Smith, 1997 for a review). The importance of technology to MCS design has been enriched by research drawing on the manufacturing literature (Hayes et al, 1988; Skinner, 1975), and the work of economists such as Milgrom and Roberts (1990). Issues concerning the role of MCS within advanced manufacturing settings such as Total Quality Management, Just-in-Time and Flexible Manufacturing have been explored (see Young & Selto, 1991 for a review). Researchers have gained new insights into the role of MCS within new structural arrangements, such as teams, by drawing on the human resource management literature which investigates the dynamics of teams including issues concerning performance evaluation (Cohen, 1993; Katzenbach & Smith, 1993). National culture has been identified as an element of context following the development of multi-national operations in many organizations (see Harrison & McKinnon, 1999 for a review).

In reviewing the past 20 years of contingency-based research it is important to consider the extent to which progress has been made in developing an empirical body of literature relating MCS to elements of context. The conventional, functionalist contingency-based approach to research assumes that MCS are adopted to assist managers achieve some desired organizational outcomes or organizational goals. The appropriate design(s) of MCS will be influenced by the context within which they operate. The following nine sections consider: the meaning of MCS, the outcomes of MCS and the key contextual variables as they have evolved, historically, in the literature. First, the relationship between MCS and the external environment is considered. This is followed by technology (both traditional and contemporary), structure and size. Next, strategy is examined. Finally, the role of national culture in MCS design is reviewed. On the basis of the empirical findings, propositions are offered which relate contextual variables to the MCS.
دریافت فوری

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