



Social capital and management control systems: A study of a non-government organization

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A B S T R A C T

In this paper we use the concept of social capital to outline a distinctive approach to understanding the interplay between management control systems and the development of social connections in and between organisations. Social capital provides a comprehensive framework for examining the nature of social connections through its focus on both structural networks (bridging) and interpersonal relationships that predispose individuals towards mutually beneficial collective action (bonding). In doing so, social capital provides a means of considering how individuals react to management control systems in terms of the social ties that exist both within the organization and external to the organization. Using a case study of a non-government organization, we show how social capital is implicated in efforts to attract economic capital and cultural capital. We demonstrate how elements of a management control system can either enhance or inhibit the bonding and bridging dimensions of social capital with potential consequences on both economic and cultural capital. We highlight the mixed and sometimes contradictory effects of management control systems on social capital, and provide a powerful illustration of the role of management control systems in brokering alliances and bridging structural holes.

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Introduction

Non-government organizations (NGOs) have a central role in delivering welfare services. NGOs rely on developing social connections to draw together those in need with service providers and suppliers of welfare funding. This raises issues of how social connectedness can help organizations, such as NGOs, to deliver their services, and consequently, has encouraged researchers to examine social infrastructures that facilitate individual and collective action of many kinds (Coleman, 1990; Foley & Edwards, 1999). Across a broad range of disciplines, the study of social connectedness has been facilitated by examining the phenomenon of social capital. Adler and Kwon (2002, p. 17) note “A growing number of sociologists, political scientists, and economists have invoked the concept of social

capital in the search for answers to a broadening range of questions being confronted in their own fields.” On this basis, we explore how social capital may contribute to knowledge in the area of management control systems (MCS) and how it may affect the management of NGOs.

In this study our particular interest is in NGOs that provide welfare services to the community within the institutional space termed ‘civil society’.¹ Providing welfare involves NGOs developing an identity to deliver humanitarian services and to attract economic capital to fund operations. At times these two functions can be in tension. Social capital has a potential role in delivering services and

¹ While ‘civil society’ has been defined in numerous ways, the term is generally taken to mean a realm or space where there are a set of organizational actors who are not part of the household, the market, or the state (Lewis, 2007, p. 54). Lewis and Madon (2004, p. 120) define civil society as “...an institutional space between state, market, and household in which citizens could form associations, organize public action, and represent their interests and aspirations.”

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attracting resources, and in managing the tension between the two. Also, MCS are used both to assist in attracting economic capital and in delivering welfare services. Our study is concerned with understanding the interrelationship between MCS and social capital. Specifically, we examine how the combination of MCS and social capital can be either more, or less, effective in helping NGOs maintain their identity and capabilities to deliver services, while gaining funding.

We draw on the work of Bourdieu (1986) and Oakes, Townley, and Cooper (1998) in elaborating on the inherent tension facing NGOs as they struggle to balance the desire to maintain their core values and work processes based on humanitarian ideals (their cultural capital) with the need to attract sufficient economic capital. To help understand how social capital is used by NGOs to deliver effective welfare services, we also draw on a stream of social capital research that focuses on the mechanisms that can strengthen the integration of agents to best effect co-ordinated actions, and examines how social capital can create consensus and sustain the stable development of society (Coleman, 1990; Putnam, 1993), as well as provide advantages for organizations (Hargadon & Sutton, 1997; Krackhardt & Hanson, 1993) and individuals (Burt, 1992; Gabbay & Zuckerman, 1998). From this literature we use the concept of structural bridging to analyse networks of social ties, and relational bonding to examine how individuals are predisposed towards mutually beneficial collective action. Identifying these distinct dimensions helps isolate different advantages (and disadvantages) that can be derived from social capital (Gittel & Vidal, 1998), particularly related to information, power and solidarity (Adler & Kwon, 2002).

In overview, examining how organizations seek to develop economic and cultural capital allows us to identify what is at stake as NGOs respond to pressure to be more efficient and effective. Although attempts to attract economic capital may destroy cultural capital (Oakes et al., 1998), some research suggests that bonding and bridging can play a role in attracting economic capital while preserving cultural capital, although this is by no means assured (Adler & Kwon, 2002). We argue that MCS have potential effects on bonding and bridging, both positive and negative. Consequently, important insights into the generation of economic and cultural capital can be gained by considering how MCS are implicated in the processes of bonding and bridging social capital.

From a MCS perspective, considering social capital helps to understand how combinations of controls can have complementary or conflicting effects which may influence organizational outcomes. Typically, formal controls are an important facet of MCS and help to maintain financial viability and develop efficient and effective work processes.²

² To classify formal controls we draw on Simons' (1995) levers of control (LOC) framework that identifies belief and boundary systems, and diagnostic and interactive control systems. We also consider the concepts of enabling and coercive controls to show how effective controls must have sufficient information and means of engagement to enable employees to address their areas of operation (Ahrens & Chapman, 2004). We use these frameworks, separately and in combination, to help elaborate on how MCS can help or hinder the development of social capital.

The MCS literature has also shown that employing more flexible, organic controls can help maintain employee commitment and a sense of innovation, and that MCS may be most effective when formal and organic controls operate in combination (Davila, Foster, & Oyon, 2009). By focusing on social capital, specifically the social ties involved in bonding and bridging, we are able to enrich understanding of the processes whereby formal and organic controls, and their combination, have their effects. Thus, social capital is important as it allows us to consider how different aspects of MCS can have effects on how individuals react, not only within the organization but also external to the organization.

To summarize, our study is one of the first to analyse the use of MCS in NGOs and thus responds to the call for research into issues of management and management control in these types of organizations (Ebrahim, 2003; Hopwood, 2005; Lewis, 2003). Specifically, we explore how the connection between MCS and social capital can potentially enhance or damage an NGO's ability to manage the tension between attracting sufficient economic capital while sustaining cultural capital. Within this context, the study contributes to understanding the role of MCS in several ways.

1. The study identifies how formal MCS have mixed effects on social capital. Formal controls adopted to attract and maintain economic capital can damage internal bonding with potential negative effects on service delivery, but enhance an NGO's prospects to develop bridging social capital to attract economic capital while preserving cultural capital.
2. Our study highlights the potential contradictory effects on social capital from the use of belief systems to develop and reinforce values. We show how active use of belief systems helps to manage and maintain employees' identification with core values and thus develop strong bonding within organizations; yet such strong bonding leads to an inward focus and inhibits openness to developing bridging with other organizations.
3. We provide a powerful illustration of the role of MCS in brokering alliances and bridging structural holes. We elaborate on how an NGO can promote the preservation of its cultural capital when developing alliances by bridging structural holes, and show how formal MCS support this process by demonstrating and legitimizing the capabilities of the NGO to others in the alliance.
4. We draw attention to difficulties in introducing formal controls where more informal, organic processes are the customary form of control. We suggest that the 'interactive use' of formal controls can be compatible with customary organic processes if they have enabling characteristics. In this way formal controls may assist in developing internal bonding social capital.

The remainder of the paper is structured in three sections. The first section presents a review of relevant literature. The second section outlines our field study including discussion of our method and presentation and discussion of the results. In the third and final section we present conclusions and limitations of the study.

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