



Information and the transnational SME controller

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One of the issues that face the small- and medium-sized enterprise (SME) when expanding is the 'control' issue and this paper investigates and presents preliminary evidence of 'controlling' or 'management accounting' practice in a transnational SME. Wibsey, the site of the case, is now a small group of companies that have expanded from a U.K. base into 10 European countries. This expansion has posed complex problems, which have increased the information requirements of the SME. The contextual issues of complexity and resulting challenges for the transnational organization in its management accounting, information and control systems are considered. Wibsey uses traditional management accounting as the basis of supporting decision-making in the group and a lower level of information need is reported, in contrast to Dent (1996) (Dent, J. F., 1996. Global competition: challenges for management accounting and control, *Management Accounting Research*, 7(2), 247–269), because the group chooses to maintain a traditional 'accounting-led' evaluation system in controlling and evaluating its transnational operations.

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1. Introduction

When commenting about one of the earliest case studies published about management accounting Cooper (1980) wrote, 'Delco could be regarded as an aberration rather than an example of a general mode of analysis'. Wibsey might also be aberrant. This is the context of micro-narratives and explanations in field research (Atkinson and Shaffir, 1998). Encouragement to research management accounting in its organizational setting had been advocated by Kaplan (1984), Scapens (1990), Spicer (1992), Otley (1994), Otley and Berry (1994), Atkinson and Shaffir (1998) among

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others. Scapens (1990) particularly sought case studies in situations where previous research work had not been undertaken. In particular, Scapens sought case studies that were exploratory and explanatory. It is in this context that the field research concerning Wibsey a medium-sized company has been developed. The problem of generalization, referred to by Cooper above and the opportunity to apply 'lessons' from this empirical work lies beyond the scope of this study. The contribution of this single site, or pilot, case study is in shaping or developing a research agenda. This study presents a grounded theory approach to research, with appropriate ex-ante and ex-post references to literature and offers conclusions from both the topic guides, i.e. research issues and the unanticipated outcomes of the research.

The paper is structured as follows: introduction, the research issue and methodology, data from the case (with the following subsections: budgeting, performance evaluation, decision-making and information needs and systems), theory development, unanticipated outcomes and, finally, some conclusions and suggestions for further research.

The control function in organizations has been described and analysed at some length elsewhere. The background to these studies has principally been one sited in larger firms where multi-site operating, manufacturing and production locations, it has been argued, have needed to be 'controlled'. In a wide-ranging review of previous literature on aspects of control (Otley *et al.*, 1995), a dichotomy between accounting-led control and management-led control systems is posited. Mouritsen (1996) presented a survey of the different work and roles that are undertaken in accounting departments in organizations. One of the major features of the research stressed the importance and prevalence of control as one of the key activities of accounting departments. Definitions of control have not been easy to come by. Emmanuel *et al.* (1990) commented: 'the term 'control' is probably one of the most ill-defined in the English language, having a wide range of connotations'. They then refer to Rathe's work (1960) suggesting that there are '57 varieties' of nuance or meaning for the word control. Mouritsen (1995) states 'International firms use management accounting to co-ordinate and integrate their activities in different countries'. In a recent text about multinationals the word 'co-ordinating' is used extensively in place of 'control' and the word control is even omitted in the index (Bartlett and Ghoshal, 1998). The purpose of evaluating possibly conflicting definitions of control has limitations and will not be extended further. In the end it is what some accounting departments do, as Edwards (1998) wrote in an historical study of practice: 'management accounting is what management accountants do'. The weakness of definitions of control suggests that a research methodology that does not *a priori* theorise about the controlling activities in a transnational small- or medium-sized enterprise (SME) may be potentially valuable. It was anticipated that for managers and accountants in SMEs expanding transnationally key issues of interest may centre on the following questions: What work is done by the controller? Which management accounting techniques are used? Which communication and information processes are used? Which of these processes or techniques are visible across the organization?

Dent (1996) suggested a management accounting and control research agenda based on issues of complexity caused by global competition and non-western firms playing by 'new rules'. The paper acknowledges some of the analysis of Bartlett and Ghoshal (1989) and recognizes that its 'transnational solution' is not

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