



## The localisation of a global management control system

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### ABSTRACT

This study examines how the management control system designed at the head office of an increasingly globalised hotel chain was enacted within one of its sub-units; a joint venture operating in the hospitality industry in Portugal. We found that the practices which comprised the global management control system were reproduced within this joint venture. Yet, at the same time, its managers made the global system ‘work’ for them, thereby producing variety. Albeit our findings are in line with Barrett, Cooper, and Jamal’s (2005) study, which was inspired by Giddens (1990, 1991), we interpret them somewhat differently as we draw on the work of Robertson (1992, 1995). We view localisation as a process through which heterogeneous practices can emerge to facilitate the homogenising tendencies of globalisation by complementing, rather than undermining or opposing, it. As a result, the local can differentiate itself from the global. Also, by linking our findings to the notion of situated functionality in Ahrens and Chapman (2007), we argue that this heterogeneity can be produced when organisational members, whatever their level in the organisation, seek to achieve both the corporate and their own specific objectives.

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### 1. Introduction

Localisation and globalisation have often been defined as opposites (see Barber, 1992; Giddens, 1990, 1991; Robertson, 1995). In general terms, globalisation is associated with a growing diffusion of goods, services, values and technologies around the world, the consequence of which is the convergence of societies toward a uniform pattern of economic, political and cultural organisation. In this sense, globalisation is seen as a powerful force that leads to increasingly homogenised practices (for a review see

Guillen, 2001). A tendency towards the global homogenisation of accounting practices is also claimed to be taking place, as some authors argue that multinationals<sup>3</sup> are forcing their sub-units to adopt standardised accounting practices in order to organise, or more particularly to coordinate, their globally dispersed operations (see for example, Granlund & Lukka, 1998; Shields, 1998).

However, there have been calls for research into the nature of localisation. For example, Robertson (1995), writing in the social sciences literature, called for a subtle interpretation of the dynamics of production and reproduction of locality. In the accounting literature, Baxter and Chua (2003) called for an analysis of whether locals are capable of resisting or mediating the homogenising pressures which result from the ‘travelling’ of accounting systems across interconnected times and spaces in our

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<sup>3</sup> We use the term multinationals quite broadly to refer to companies with extensive international operations.

contemporary world. Chua (2007) also suggested that research should focus on accounting as a 'situated craft' (Chua, 2007, p. 487); arguing that this could provide better explanations of how 'skilful' practices are constituted locally in response to global accounting systems.

The issue at stake in this study is whether global accounting systems, in particular management control systems, are simply reproduced when they are enacted at the local level or, on the contrary, whether they are reshaped and, if so, how and why. Our aim is to explore whether, how and why heterogeneous local practices (in our case, local management control practices) can emerge out of the homogenising tendencies of global (management control) systems. For this purpose, we examined how the managers of a joint venture operating in the Portuguese hospitality industry localised the management control system that was designed and used by the head office managers of the world-wide hotel chain which was one of its parents.

The interconnection of globalisation and localisation has been debated in the social science literature (by Giddens (1990, 1991) and Robertson (1992, 1995), amongst others). For instance, Giddens argues that all expert systems, which in his words "[link] local practices with globalised social relations" (1990, p. 79), may be either supported or undermined by the reembedded (local) contexts of action with which those systems always interact. Furthermore, for Robertson (1995) homogeneity (or, in his words, universalism) and heterogeneity (or, in his words, particularism) structure modern life, and thus there is a need to understand how homogenisation and heterogenisation (two *seemingly* opposing trends) can simultaneously both be features of modern life.

We draw on theoretical insights from this debate in the social science literature, especially the work of Robertson (1992, 1995), to inform our study. In so doing, we conclude that when global management control systems are localised, i.e., enacted, practice variations (heterogenisation) can occur. Moreover, this local variety results largely from the process of homogenisation which occurs as global systems are stretched across local contexts (cf. Robertson, 1995). However, as the focus of that literature is on society level social processes, we also draw on ideas from Ahrens and Chapman (2007) to reflect on the intentions and accomplishments of the individual and collective actors who are "inside" those social processes. We argue that local managers can reshape or reconstitute the global systems to achieve local, as well as corporate, objectives. For this purpose we do not necessarily see global–local relationships exclusively in terms of multinational–national/regional relationships. Instead, the global–local relationships discussed in this paper can occur whenever organizational members (locals) situate 'global' systems (such as those of higher organisational levels) to achieve both their own and other organisational objectives (cf. Ahrens & Chapman, 2007).

The remainder of the paper is organised as follows. The next section outlines concepts from the globalisation/localisation debate in the social science literature which are central to understanding our case findings. The third section reviews the accounting literature on the localisation

of global management control systems, and section four describes the organisation studied. In the fifth section we outline our research methods, then the sixth section analyses and discusses the case findings, and the paper ends with a conclusion in section seven.

## 2. The phenomenon of localisation in social science

In this study we set out to examine how the management control system used by a multinational to coordinate and control its globally dispersed operations was enacted within one of its sub-units – a joint venture that had the multinational as one of its two parents. To do this it is crucial to understand the relationship between globalisation and localisation. This relationship has not been extensively studied in the economic and political science literatures on globalisation, but it has been discussed in the social science literature which we review in this section.

Giddens, for instance, understands globalisation as "the intersection of presence and absence, the interlacing of social events 'at distance' with local contextualities" (1991, p. 21). Thus, the local is shaped by social influences that are quite distant from it, and Giddens regards globalisation as the distanciation of time and space through what he calls disembedding mechanisms, such as expert systems (Giddens, 1990). These are the technical systems (or professional expertise) which organise large areas of contemporary material and social environments, and thereby decontextualise social relations and reorder them at the global level. As such, social relations are formed into standardised 'empty' dimensions, which can then be operated independently of their temporal and spatial origins. However, in Giddens' view, these standardised 'empty' dimensions, or in other words, the expert systems, are recast when interacting with reembedded contexts of action, which either support or undermine them (Giddens, 1990). For him, local contexts can always modify or reject expert systems whenever they have unwanted consequences and/or design faults. Consequently, Giddens claims that local transformations do not usually lead to a set of changes acting in a uniform direction. He even argues that distant social influences often produce divergent (or contrary) effects in local contexts. Therefore, he concludes that globalisation is a dialectical process which can lead to "uneven development that fragments as it coordinates" (Giddens, 1990, p. 175).

Robertson (1995) agrees with Giddens' view that globalisation involves the intersection of presence and absence. However, he claims that when Giddens "speaks of the production of 'divergent or even contrary occurrences', [t]his seems to imply an 'action–reaction' relationship which does not fully capture the complexities of the 'global–local' theme" (Robertson, 1995, p. 27). As such, he proposes a somewhat different way of understanding localisation and globalisation. He defines the latter as the spatial and temporal compression of the world. This compression occurs because globalisation involves more intensive interactions across wider space and in shorter time than before. But for him, globalisation *always* involves a process of localisation which is not necessarily in opposition to, nor

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