

Control and change—Analysing the process of institutionalisation

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Abstract

This paper studies the process by which a change in the institutional logic of an organisational field diffuses through the management control system of a firm. The theoretical framework proposed by Hasselbladh and Kallinikos (2000. *The project of rationalization: a critique and reappraisal of neo-institutionalism in organization studies. Organization Studies*, 21, 697–720) enables us to describe the institutionalisation process of management control systems in more detail by observing how ideals are translated into discourses and control techniques. We argue that both the process by which institutional changes are implemented inside organisations and the process of decoupling are two aspects of the same issue. Revisiting core notions of new-institutional theory such as internalisation and decoupling, our findings question the systematic as well as the linear nature of the institutionalisation process. Empirical findings, based on a field study conducted in the French subsidiary of a pharmaceutical laboratory, highlight how the discourses of organisational actors contradict new ideals and control techniques. More particularly, it appears that, when a discourse cannot be heard, it can be partly bypassed using techniques. It is also argued that intra-organisational change builds on stable discourses and ambivalent technology, which foster insidious dissemination of the new institutional logics when “what can be done cannot be said”.

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1. Introduction

Neo-institutional research has demonstrated the importance of studying institutional factors, as well as traditional economic factors, in order to understand why Management Control Systems (MCS) change (Covaleski and Dirsmith, 1988; Abernethy and Chua, 1996; Granlund and Lukka, 1998; Brignall and Modell, 2000; Burns and Scapens, 2000; Collier, 2001; Modell, 2001).

In this paper, we draw on New Institutional Sociology (NIS) to address the issue of change in management control. We thus rely on a sociological and organisational approach to change (rather than on more functional economic views) and account for change through the institutionalisation process of new MCS. For us, NIS is a relevant framework because it enables us to show that MCS changes are driven mainly by institutional factors and not only by efficiency motives (Granlund, 2001). It underlines that organisations adopt MCS to appear well managed and to be legitimated in their organisational field (Covaleski et al., 1996). Therefore, NIS invites us to consider MCS as vectors as well as targets of change. Moreover, this perspective does not imply any moral judgement regarding change, being associated with neither progress nor regression (Burns and Vaivio, 2001).

However, NIS does not provide a perfect and absolutely critique-proof framework for studying MCS change. NIS focuses on dissemination models, remaining at a macro level (Hasselbladh and Kallinikos, 2000) and does not really explain the process by which institutional changes are implemented within organisations (Siti-Nabiha and Scapens, 2005). The effects of change through the MCS are also widely debated in this perspective. NIS theorists originally considered that institutional constraints were satisfied by decoupling the activity, as it was presented externally from the activity as it really occurred (Meyer and Rowan, 1977), and conceived decoupling as a largely inherent attribute of institutionalised practices and organisations (Modell, 2003). In this perspective, the MCS are implemented to satisfy institutional demands and should not interfere with day-to-day activity in the organisation (Carruthers, 1995). On the one hand, some studies identify various decoupling phenomena (Ansari and Euske, 1987; Fernandez-Revuelta Perez and Robson, 1999; Siti-Nabiha and Scapens, 2005). On the other, Covaleski and Dirsmith (1988) deny any ability to decouple the MCS from the day-to-day activity because of their structuring impact. The question of decoupling has to be tackled to improve our understanding of change in a neo-institutional perspective.

In this paper, we consider that both the process by which institutional changes are implemented inside organisations and the process of decoupling are two aspects of the same issue. Both require an in-depth analysis of the problem of institutionalisation of MCS inside the organisation (Collier, 2001; Siti-Nabiha and Scapens, 2005). Indeed, the institutionalisation refers to both the implementation and the internalisation of new practices (Kostova and Roth, 2002), and institutionalisation cannot be completed in the event of decoupling (Meyer and Rowan, 1977). By analysing the process of institutionalisation carefully, we try to explain in depth what change is (Quattrone and Hopper, 2001). More precisely, this research endeavours to answer the following question: How is change in a given organisational field institutionalised in a management control system of a given firm?

To respond to our research question, we observe the institutionalisation process of a new institutional logic inside a firm in the pharmaceutical sector. Since the end of the 1990s, companies in this sector seem to be changing their development strategies and are turning to modes of selling that are similar to those of the fast moving consumer goods industry (Panigyrakis and Veloutsou, 1999; Moss and Schuiling, 2003). This change characterises a new institutional logic in the sector, which may be driven not only by efficiency expectations but also by institutional factors (Scott et al., 2000). In order to provide an in-depth

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