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Sujoko Efferin, Monika S. Hartono,

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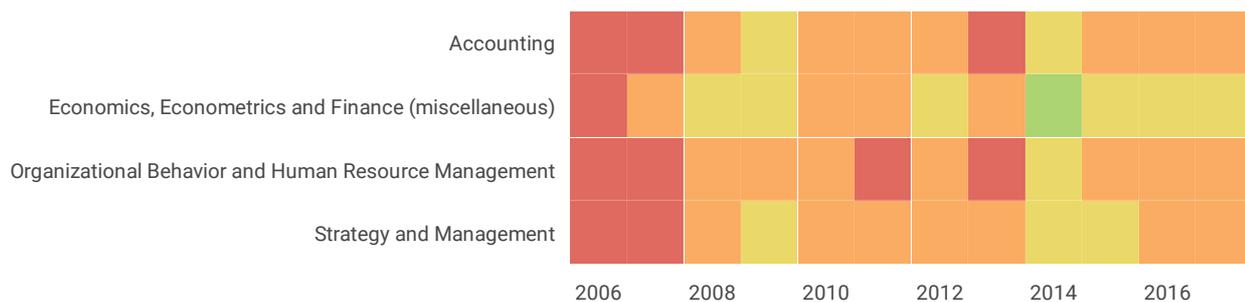
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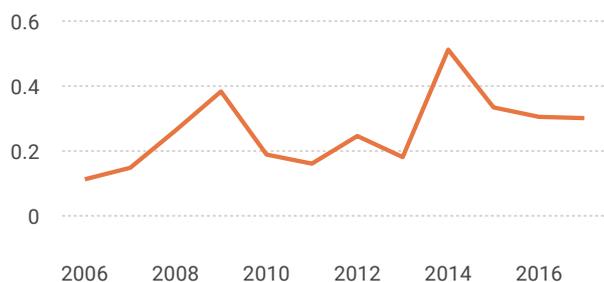


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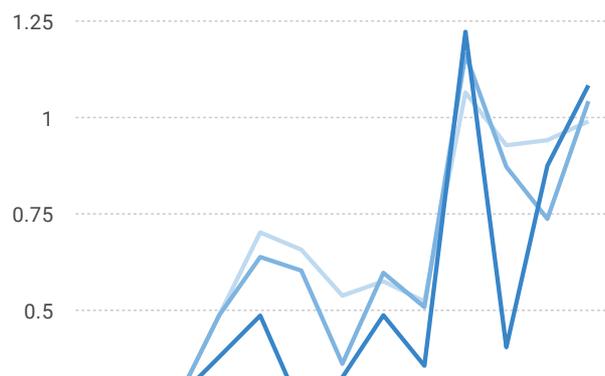
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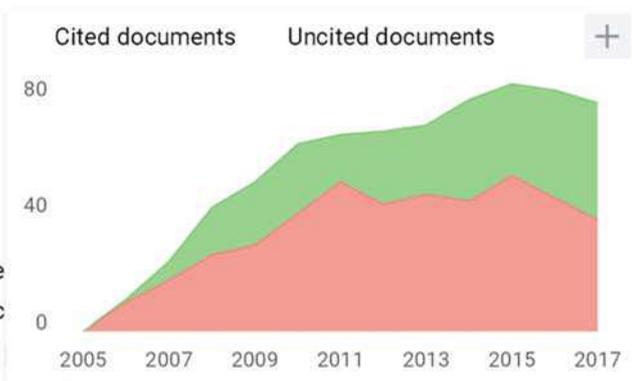
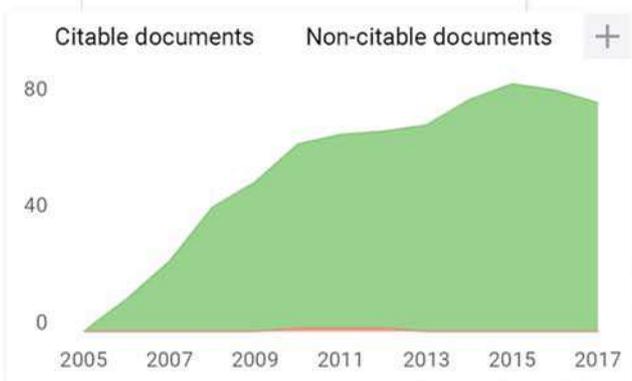
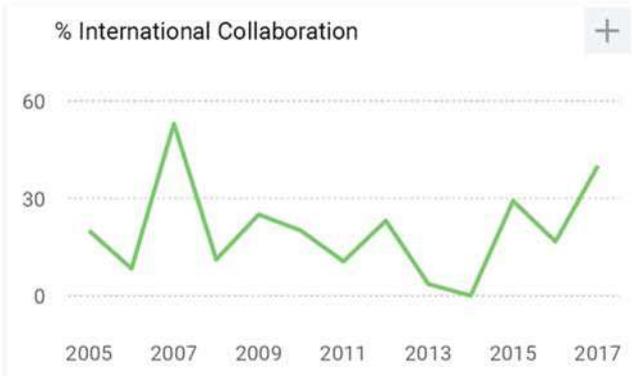
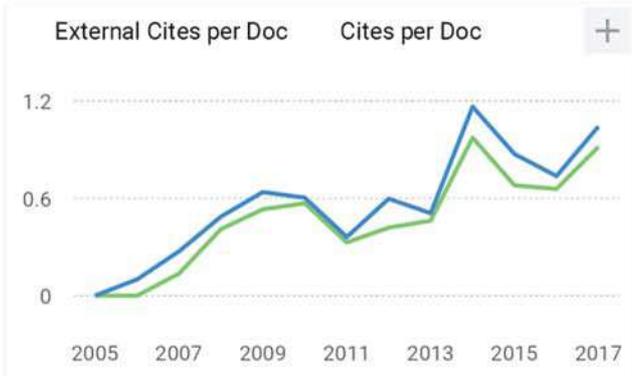
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Management control and leadership styles in family business

An Indonesian case study

Sujoko Efferin and Monika S. Hartono

*Faculty of Business and Economics, Universitas Surabaya,
Surabaya, Indonesia*

Abstract

Purpose – This study aims to provide insight into the meaning and perceptions of leadership and its subsequent management control system (MCS) practices in family business in less developed countries. More specifically, the study attempts to understand the cultural context of family business and its importance in developing its leadership and MCS, the production and reproduction processes of the culture into the MCS and the resulting MCS.

Design/methodology/approach – We shared the view that organizational reality is negotiated and constructed by collective participants' consciousness. The study used interpretive case study. Interviews, observation and documentary analysis were used to collect the data.

Findings – Leadership and MCS of family business is embedded in its societal culture. A leader-owner is not a creator but a mere manager of organizational culture because he/she is also a product of the societal culture. The owner and his/her inner circle (family and non-family members) may collectively play crucial roles in producing and reproducing the legitimate MCS based on the extended family concept. In this sense, cultural control based on shared family norms is the most dominant one and simplifies process and result controls. However, business pragmatism may go hand-in-hand with the culture in giving room for MCS transformations.

Research limitations/implications – The family business under study is still run by the family's first generation, has no subsidiaries and is embedded in Javanese paternalistic culture. Although rich in details, the sample size of the study is a limitation.

Practical implications – This study encourages the owners of a family business to consider the use of strong cultural control along with bureaucratic controls to create a sustainable organisation.

Originality/value – This study offers insight to help understand and explain how leadership and MCS practices in family business are embedded in broader societal culture in less developed countries.

Keywords Leadership, Family business, Indonesia, Management control

Paper type Research paper

1. Introduction

This interpretive study examines the implementation of leadership and management control system (MCS) in the context of family business in less developed countries. Although leadership is inherent in the design and implementation of MCS, very few studies have addressed this topic in the past 20 years (Abernethy *et al.*, 2010). Furthermore, despite extensive studies of management styles, development, roles and



importance of family business (e.g.: Cater III and Justis, 2010; Jiang and Peng, 2011; Astrachan and Shanker, 2003; Klein, 2000; Corbetta, 1995), there are yet very few studies on management control in family business (Tsamenyi *et al.*, 2008). So far, there have only been three studies in the relevant areas: one study examining leadership and MCS, and two studies examining MCS in family business (Abernethy *et al.*, 2010; Ansari *et al.*, 1991; Tsamenyi *et al.*, 2008).

Abernethy *et al.* (2010) conducted a questionnaire-based study and proposed a model to assess the effects of leadership styles on three elements of MCS, i.e. delegation choice, planning and control systems and a performance measurement system. The study showed that leadership can significantly predict the implementation of planning and control systems and of performance measurement system. The context of their study was general and did not specifically address family business. Ansari *et al.* (1991) and Tsamenyi *et al.* (2008) conducted in-depth interpretive case studies examining the influence of societal culture on management control in a Pakistani family business and a family-owned university in Indonesia, respectively. They revealed that societal culture is at the very centre of MCS in these two family businesses. However, leadership was not discussed explicitly in these studies. Given the importance of the roles of owner–leader in the implementation of MCS, there is a need to add literature on family business’ management control in relation to leadership issues.

This study attempts to provide further insight into the meaning and perceptions of leadership and its subsequent MCS’s practices in family business in less developed countries. In doing so, this study examines the cultural context of family business and the viewpoints of organizational participants (owner–leader and employees). The research questions are:

- RQ1. What is the cultural context of family business and how important is the context in developing the leadership of a family business?
- RQ2. What are the production and reproduction processes of the culture into the MCS?
- RQ3. What kind of MCS does emerge as a consequence of the processes?

Given the limited existing knowledge in the area and the need to get in-depth understanding, we used interpretive case study (Hopper and Powell, 1985; Neuman, 2011). In-depth case study in management control research can not only provide richer contextual understanding of a phenomenon but also can avoid unduly predetermined causal chains/hypotheses, and embrace more holistic issues relevant to less developed countries (Efferin and Hopper, 2007; Wickramasinghe and Hopper, 2005; Uddin and Hopper, 2001; Bhimani, 1999; Hoque and Hopper, 1994).

The company under study here is a medium-sized Indonesian real estate developer that we will call “DR” (disguised name). It was chosen for several reasons. Firstly, many members of the founder–owner’s family participate in daily management activities. This gives a very strong familial culture to the company, which is suitable for the purpose of this study. Secondly, the founder of the company is still active as its Chief Executive Officer (CEO). Thirdly, the company is growing rapidly. This enabled us to gain insight into how the company’s development characterizes its organizational changes, including the design and implementation of its leadership and MCS. Lastly, the company was very supportive to this study, allowing us to get the data required.

The remainder of the paper is organized as follows. Section 2 reviews the literatures on family business, leadership and MCS in less developed countries. Section 3 describes the research philosophy and methods used. The empirics (Sections 4 to 6) describe the background of the company, of its owner–CEO (Mr TD), the owner’s leadership characteristics and the MCS in DR. The theoretical implication and conclusion are discussed at the end of the paper (Section 7).

2. Theoretical framework

2.1 *Family business, culture and leadership*

Family business has been defined in many ways (Cater III and Justis, 2010; Carlock and Ward, 2010; Dyer, Jr., 2006; Astrachan and Shanker, 2003). Relevant dimensions include the degrees of ownership and management by a family and the ability to transfer from one generation to the next. In this study, “family business” is defined as a company in which a family possesses dominant ownership and controlling management. The values of the owning family are dominant in family business because they are transferred to non-family employees and become a collective guidance to reach organizational objectives (Dyer, Jr., 2006).

Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and it is the process of facilitating individual and collective efforts to accomplish shared objectives (Yukl, 2010). It is important because it affects organizational effectiveness. Furthermore, Schein (2010) states that the entrepreneurial thinking of leaders about what to do and how to do it will create the conditions for culture formation and evolution. Leaders’ values are considered as the source of organizational culture to create internal integration among organizational members. Leadership is culturally contingent because societal culture has expectations regarding the roles of leadership and characteristics with respect to the way things ought to be done in a society (Jogulu, 2010). Therefore, a leader should know what leadership skills and knowledge are valued in a society to develop different leadership competencies in different workplaces.

The above literatures reflect the profound influence of structural–functional framework on culture and leadership studies in organizations. Meek (1988, p. 456) states that the framework tends to narrowly “assume that culture is a unifying force within organization, that there exists a universal homogeneous culture, and that the task for the researcher is to discover it”. Furthermore, it is assumed that leader is fully able to create and manipulate the culture as a variable to unite members for attaining corporate goals. By contrast, Meek (p. 458) emphasizes that the degree to which norms are internalized and create integrated and stable structures is an empirical question rather than something to be assumed through theory.

To obtain a rich understanding of culture and leadership, Meek (1988) argues that culture should be treated as a social control process in which leader and members at large participate alike. In other words, leadership is both a product of existing culture and a medium of cultural changes. Culture is the product of negotiated and shared meanings; it emerges from the social interaction of all organizational members so that the way in which a leader attempts to manipulate it must be interpreted in relation to the total organizational culture of which the leader itself is only a part. A leader may be in a better position to intentionally influence aspects of culture, but he/she does not have absolute capacity. As culture is socially

produced and reproduced over time, it “cannot be discovered or mechanically manipulated; it can only be described and interpreted” (p. 464).

To describe and interpret culture, researcher needs to distinguish between culture and social structure (Meek, 1988; p. 465). Culture is an ordered system consisting of symbols (shared codes of meaning including language and artefacts), myths (narrative of events having a sacred quality), ideologies (a set of beliefs about the rightness of social arrangements) and rituals (prescribed formal behavior having symbolic value). Structure is the pattern of social interactions takes place in the culture (Geertz, 1973). The task for the researcher is to observe the concrete behaviour of participants by using culture and structure in search of meaning. The conceptual distinction between culture and structure enables the researcher to understand change and conflict over such issues as power and legitimate authority. In this sense, organizational culture may be a source of unity and conflict in an organization.

The interpretive framework proposed by Meek opens up a possibility to understand the particular context of leadership and culture in an organization. A family business may have its own culture and structure that facilitates interactions among members. Because leadership is also part of the total organizational culture, it can be best understood by referring explicitly to the cultural context of that particular family business and investigating the concrete behaviours of its members. The adoption of the framework enables a researcher to understand the dynamics of the production and reproduction of family values in the organization, the roles of the leader-owner in the process, the roles of the members and the intersubjective reality created by all participants regarding power, authority, conflict and changes. In other words, a much deeper insight into leadership in family business context can be obtained.

2.2 MCS in less developed countries

Management control and leadership is inseparable. There is no leadership without management control and vice-versa. Management control is defined as a system within social, cultural, political and economic environments used by management to align employee behaviour with organizational objectives and to manage internal and external interdependencies (Efferin and Hopper, 2007). It consists of result, process and cultural controls (Merchant and Van der Stede, 2007; Efferin and Soeherman, 2010). They are not mutually exclusive, but rather overlapping and reinforcing each other in daily implementation. Result control defines the outputs expected from the employees (also known as performance measurement). This type of control provides flexibility, requires authority delegation and promotes creativity among employees to search for alternative actions to reach a predefined set of targets. Process control focuses on the employees' means/behaviours rather than on the ends (results) to promote obedience towards a set of desired actions. Cultural control promotes a strong and positive organizational culture, enabling organizational members/actors to monitor each other and to have self-awareness in doing their best for their organization.

Research on MCS in less developed countries is an emerging area, yet the number of related published studies is still relatively low (Efferin and Hopper, 2007; Tsamenyi *et al.*, 2008; Hoque and Hopper, 1994; Ansari *et al.*, 1991; Wickramasinghe and Hopper, 2005; Uddin and Hopper, 2001). All these studies use in-depth case study approaches to explore and understand the specific contexts and grounded meanings of MCS in its corresponding environments. Although the variations are high and contextual in nature, the results of the

studies highlight several common characteristics of MCS in less developed countries. Firstly, the use of informal controls is more prevalent in less developed countries than in developed countries. These controls include the ways of communicating expectation/objectives, defining roles and expectations from individuals, monitoring activities, setting job descriptions and designing rewards and punishments. Secondly, the societal culture significantly characterizes the design and implementation of MCS. Although culture does not operate exclusively, the inclusion of cultural perspective can largely explain why an MCS works in the way it appears to. Thirdly, local institutions (politics, history, level of education and socio-cultural practices) inside a company's business environment are, at least, as important as technical-rational-economic factors in giving legitimation to an MCS. The acceptance of an MCS rests not only on how rational it is but also on how well it reflects the worldview of the participants. MCS, thus, becomes a social process rather than a mere calculative economic process to cope with challenges confronting managers.

Two of the above-mentioned studies specifically address family business in less developed countries (Ansari *et al.*, 1991; Tsamenyi *et al.*, 2008). The case study of Ansari *et al.* (1991) was conducted in a Pakistani family business. This study finds that formal MCS is mainly applied to non-family members. By contrast, informal control is mainly applied to family members because their personal ties and trusts have preceded the formation of the company. However, later introduction of a technical-rational control system clashed with the cultural controls, causing the organization to dissolve. MCS is legitimate if it fits with the value and belief systems within which it operates. Thus, there must be a cultural congruence between formal MCS and family values of the owners as a prerequisite for successful implementation of MCS in family business. The lack of it may cause partial or decoupling implementation of formal MCS.

Tsamenyi *et al.* (2008) conducted a study of MCS in a family-owned university in Indonesia. It concluded that although some technical-rational controls (including budgeting, performance measurement, incentive systems and administrative controls) exist, they are subservient to controls based on culture and social relationships. The informal controls stem from the personal values of the owners and the societal culture of the surrounding society, mainly consisting of three Javanese values: *bapakism* (paternalism and patronage), *rukun* (collective decision-making, unanimous decisions and co-operation) and *ewuh pakewuh* (reluctance among non-family superiors to punish subordinates with ties to the family). Consequently, these values become the ideology with highest legitimation shared by all organizational members overcoming the management control tools implemented in the organization.

The work of Tsamenyi *et al.* has revealed the theoretical usefulness of culture in explaining MCS in less developed countries' family business. However, the organization under study is a university which, to some extent, has certain arrangements to meet the requirements of external bodies (e.g. Indonesian Ministry of National Education and National Accreditation Body). The existence of those bodies requires the university to have certain mechanisms in relation to management control that limits the freedom of the owner to implement the MCS. By contrast, the organization in our study is a company which has no external regulatory bodies to follow. Hence, the study may offer additional insights into management control practices in family business where its owner-leader has greater flexibility to translate his/her personal values into the practices. Consequently, different pictures of the dynamics of control activities and the roles of all participants involved in the process can be captured.

2.3 Javanese culture

Indonesia is a multicultural country consisting of more than 1,000 ethnic groups. Ethnic Javanese is the largest group in Indonesia accounting for 41.71 per cent from the total population of Indonesia (Suryadinata *et al.*, 2003). Javanese culture is dominant in Java island, where the company under study is located. Although, the island of Java is also inhabited by various other ethnic groups, their cultures are influenced by Javanese to a different extent. Politically, ethnic Javanese is powerful in Indonesia. Five of the six presidents of Indonesia are Javanese.

Javanese culture emphasizes on social hierarchies involving rigid rules of correct behaviour, social harmony (*rukun*) and spiritualism (Efferin and Hopper, 2007). Social hierarchies manifest itself in two main values: Javanese etiquette and *bapakism*. Javanese etiquette provides a set of correct behaviour to be done between people from different levels of the social hierarchy. Being thoughtful, caring and polite in daily interaction is the basic principles of the behaviour. To be Javanese means to be a person who is civilized and who knows his manners and his place. People should humble themselves and be polite when talking to someone from approximately equal or higher status. Thus, everyone should understand his/her position and that of the person talking to him/her.

Bapakism is a form of paternalistic relationship between leader and followers (Rademakers, 1998). *Bapak* is a term meaning an ideal father who is highly respected in the Javanese culture, who possesses charisma and is obliged to take care of the members of a community. Javanese societal norms are an extension of Javanese family norms. *Bapak* possesses a character of a guru/scholar who is deserved to be obeyed and emulated (*digugu lan ditiru*) by his followers. The Javanese respect and trust their seniors and superiors as their *bapak*. (Koentjaraningrat, 1985). If someone disagrees with these people, it is done by not responding or by agreeing in a particular manner, which actually indicates subtle disagreement. Javanese culture emphasizes the importance of learning from and emulating scholars to have virtue in life. On the other hand, the *bapak* ought to humanize his/her family members/followers (*nguwongke*) by displaying characteristics such as benevolence, being wise and thoughtful.

Rukun is a condition in a society where there is no overt expression of divisive opinions and feelings (Geertz, 1961). To achieve *rukun*, persons should be primarily group members; their individuality should be expressed through the group (Koentjaraningrat, 1985). This value is important in all aspects of Javanese organizations and manifested in the collective decision-making process (*musyawarah*), consensus (*mufakat*) and co-operativeness (*gotong royong*). Mutual assistance and sharing of burdens, within both the family and the community, represents the concept of *rukun*. Social harmony is a reflection of unselfish behaviour and respect toward wider community. Open conflict is considered as inappropriate and will only appear in extreme situation. Thus, if a superior expresses his feelings openly by using strong linguistic forms, this means that a subordinate's fault is almost intolerable and the subordinate should realize this.

Whilst the majority of Javanese embrace Islam as their religion, they follow a moderate and tolerant ways of practicing their religious life (Beatty, 1999). The Javanese view that success in life means having a balance between material and spiritual focus. It is crucial to search for harmony within one's inner self, connection with the universe and with the Almighty God to attain discipline of mind and body to get rid of excessive

material and emotional desires. Another religions embraced by the Javanese include Hinduism, Buddhism and Christianity/Catholicism. The practices of syncretic form of Kejawen (a traditional Javanese spiritualism) with other religions can also be found in many Javanese people. Cultural practices surrounding weddings, funerals and the birth of children are influenced by the Hindu and Islam heritage. Therefore, even though Indonesia is the largest Islamic nation in the world, local traditions have made Javanese Islamic culture distinct from that of Middle Eastern Muslims. In fact, the national motto of Indonesia, unity in diversity, is derived from the old Javanese (Majapahit) principle stating that *Bhinnêka tunggal ika tan hana dharma mangrwa* (they are indeed different, but they are of the same kind, as there is no duality in truth).

3. Research method

This study lasted 13 months. It relied on interpretive case study method (Hopper and Powell, 1985; Neuman, 2011; Mason, 1996). We share the view that organizational reality is negotiated and constructed by collective participants' consciousness. Hence, their inner knowledge and perception was crucial in understanding leadership and management control implemented in the company. To capture detailed understanding of how management control practices was socially constructed and negotiated, we adopted Meek's analytical framework of culture and leadership (1988) and the concepts of Javanese culture as etic views. Meek's framework was used to explain the origin and implementation of leadership. The Javanese culture was used to examine the cultural values of all organizational participants. The etic frames were then combined by emic views from the participants on how they view their organizational realities (Efferin and Hopper, 2007). The process was: emic view → interpreting this through etic frame → obtaining confirmation from the participants → explaining the similarities/differences. In so doing, we used three methods of data collection: interview, observation and documentary analysis.

Between October 2010 and November 2011, we interviewed 14 subjects from different levels in the company, for a total of 31 hours (Table I). The selection of the subjects were based on how important their roles in the company, their divisions (all units were represented) and their status (family and non-family members of Mr TD). We attempted to include all major perspectives in the company. The interview protocol used a semi-structured method containing open-ended questions. Subjects were free to answer according to their personal perspectives, experiences and opinions.

All interviews were conducted in a local dialect of Indonesian language (*Suroboyoan*). During the interviews, there was a need to bridge the gap between emic view (participants' interpretation of their experiences) and etic view (outsiders'/literatures' interpretation of a phenomenon) (Efferin and Hopper, 2007). Emic view is the most authentic concept to use but etic view is important because the purpose of the research paper is to communicate with broader readers. During interviews, we inclined to give more priority to the emic view to gain richer understanding from the participants' frame of reference. It means that native concepts were kept intact in the discussion and etic terms were applied to them if there was no bias (or produced minimal bias). However, should there was no appropriate etic term to make sense the relevant concepts, native terms were kept consistently. The decisions whether to use emic or etic were made after gaining confirmation from the interviewees. We recognize that there was no perfect

Subject	Subject's status	No. of hours	No. of sessions
CEO/founder (Mr TD, aged 56 years)	Owner	10.5	7
One other founder (Mr LJ, aged 60 years)	Owner	1	1
Corporate engineering manager (Mr RI, aged 54 years)	Former subordinate of Mr TD in a previous company and employee	2	2
Apartment project engineering manager (Mr IA, aged 25 years)	Nephew of Mr TD and employee	1	1
Corporate chief accountant and apartment project finance manager (Mr HB, aged 36 years)	Nephew of Mr TD and employee	3	2
Corporate marketing manager (Mr LJ, aged 60 years)	Old friend of Mr TD and employee	2	2
Apartment project marketing manager (Mr TY, aged 24 years)	Son of Mr TD	2.5	2
Apartment project marketing supervisor (Mr JL, aged 34 years)	Son of a friend of Mr TD and employee	1	1
Apartment project general manager (Mr WA, aged 36 years)	Son-in-law of Mr TD's cousin and employee	1	1
Marketing agent (Mr AS, aged 31 years)	Employee	1	1
Marketing agent (Mr OP, aged 35 years)	Employee	1	1
Marketing agent (Mr TF, aged 26 years)	Nephew of Mr TD and employee	1	1
Foreman (Mr ON, aged 55 years)	Former subordinate of Mr TD in a previous company and employee	2	2
Foreman (Mr IP, aged 49 years)	Employee	2	2
Total		31	26

Table I.
Summary of
interviews

translation from Indonesian to English and what we attempted to achieve was a maximum proxy of cross-linguistic understanding.

The results of each interview were used to determine the themes of next interviews. Initial interviews with Mr TD regarding his personal backgrounds helped identifying several key emic concepts with native terms that became major issues in the company and were used consistently by the other participants in the subsequent interviews. This reveals that there was strong consensus among the participants regarding important things to focus in the company. Similarities in the ways of thinking among them were fascinating showing that the organizational culture was relatively very stable. However, some different concepts and terms were found when interviewing particular marketing agents. This reveals that cultural deviations producing different behaviours existed in the marketing department. In this situation, we used the perceptions of the marketing agents as the proponents of the concepts to understand their culture.

We spent most interview hours with Mr TD because he played crucial roles in the leadership and MCS of the company. Based on our observation, Mr TD was quite open and enthusiastic in co-operating with us. However, we also cross-examined his answers

with those of the other subjects to confirm the data (see the triangulations section below). In general, the data collected from all subjects were generally complementary.

Non-participant observations were conducted between October 2010 and November 2011. Data were mainly collected through company meetings and daily situations. During these meetings, we collected data from the CEO and other participants, including employees across all functional areas of marketing, engineering and finance. Data were also collected through various less formal activities such as morning coffee breaks, prayer time meetings and daily routine activities. If discrepancies/inconsistencies were found, further interviews were performed to help clarify the data.

Documentary analyses were conducted during the field study (Table II). The differences between emic and etic views were not significant here because the documents used formal/standardized Indonesian language that could be easily translated into English. They provided initial understanding of the work processes, whereas interviews and observations provided deeper insight into the company. Some of the documents were allowed to be copied, but others were confidential and we were only allowed to write field notes from them. The approximate total amount of hours dedicated to was 12 hours.

To handle cultural sensitivities, researchers built close, personal relationships with the subjects. The relationships grew gradually as our friendships and mutual trusts became stronger. In doing so, special attention was paid to the social norms of the company (senses of humour, demeanour, body languages and the ways of asking questions) to avoid negative impression in the eyes of all participants (being intrusive, suspicious or threatening). To gain trust from the subjects, we emphasized that we would not publish sensitive information without their consent. Fortunately, we got permission to publish all relevant information. The close relationships enabled the researchers to gain access and openness from all organizational participants.

To minimize the researchers' bias, triangulations were performed during the study (Neuman, 2011; Efferin, 2010). We cross-validated the documents, the interview transcripts and the observation notes. The triangulations were augmented by interviewing several subjects of the company. Conclusions emerging from each case were discussed with the subjects to know whether or not the reported ideas really fit their worldviews. The most important thing is that the form of investigation is logically consistent with the aims of the research rather than is shaped merely by commitment to particular research methods for their own sake (Hopper and Powell, 1985).

Document types	Category
Minutes of meeting	Confidential
Organizational chart	Internal
Standard operating procedures	Internal
Company's profiles	External
List of projects	Internal
Strategic business plan	Confidential
Employees' data	Confidential
Project cost estimation (RAB)	Confidential
Chart of accounting system, procedures and associated reports	Internal

Table II.
Summary of analysis
of documents

4. Backgrounds of DR Company and its principal owner

4.1 *Company's background*

DR Company is a real estate developer founded in 2003 by three friends: Mr TD (the utmost shareholder), Mr LJ and (the late) Mr PJ. Currently, DR has 18 shareholders (of which 7 have family relationships with Mr TD). DR's vision is: "to be a leading property company that is able to provide jobs to the society and welfare to the owners' next generations". Its annual sales turnover in 2010 was USD4 million. The headquarter is located in Surabaya, Indonesia. Its projects include housing, apartment and store development in East Java and South Sumatera for middle and upper markets. By the end of 2010, it had around 60 permanent employees plus contract labours.

Figures 1 and 2 detail DR's organizational structure. It has three main responsibility centres: Marketing, Engineering and Finance and Accounting (F&A). In addition, the Apartment Project (DRA) is a special responsibility centre. One person may occupy more than one position for higher efficiency.

DRA has its own structure and reports directly to the CEO. Mr TD considers DRA as a strategic project to facilitate the succession of the leadership, and thus he is directly involved in it as its director. He admitted that it took some time to prepare his successor to ensure a smooth transfer of power. As noted by him:

I predict that the succession will be done within the next five years. After that, I will still be involved as an advisor, just to give advice and not to make decisions, until they are ready. I have to dare giving them more freedom. However, as long as we have the strength, we have an obligation to educate our children.

4.2 *Mr TD's personal background*

One's personal experiences and character are not only shaped by his work experiences or interactions with friends, but also by his childhood experiences. His parents, environment and family members play major roles (Mr TD).

Mr TD is a religious Catholic Chinese-Indonesian with strong influence of Javanese cultural values. He holds a Bachelor degree in Architecture and has four brothers. His father was very gentle and patient. Mr TD told us about a precise memory of his: one day, the family house was on fire. The very first thing the father did was to rescue his five sons and brought them to a safe place before falling unconscious. Mr TD has learned a lot from him about the meanings of patience and sacrifice.

Mr TD's mother was a strict woman. She often used rattan stick to discipline her five sons to follow family rules (e.g. time management, proper manners, responsibilities, etc.). If one of her sons made a mistake, she would punish all of them to promote a sense of solidarity and mutual monitoring among them. However, after the punishment, she would treat her sons' wounds with tenderness and explain why she had to do so.

Mr TD's childhood experiences shaped his character and his ways of thinking until this day. He commented in several occasions:

From my family education, we learned that solidarity must be maintained among family members. Harsh punishments contain not only negative sides but also positive ones [...] We received punishment from our mother but we also obtain warm love and care from her [...] We often saw my parents quarrel about the punishments, but my father taught me not to complain about life but to keep showing an exemplary behaviour in all situations [...] Our father's consistent examples have shaped our own characters.

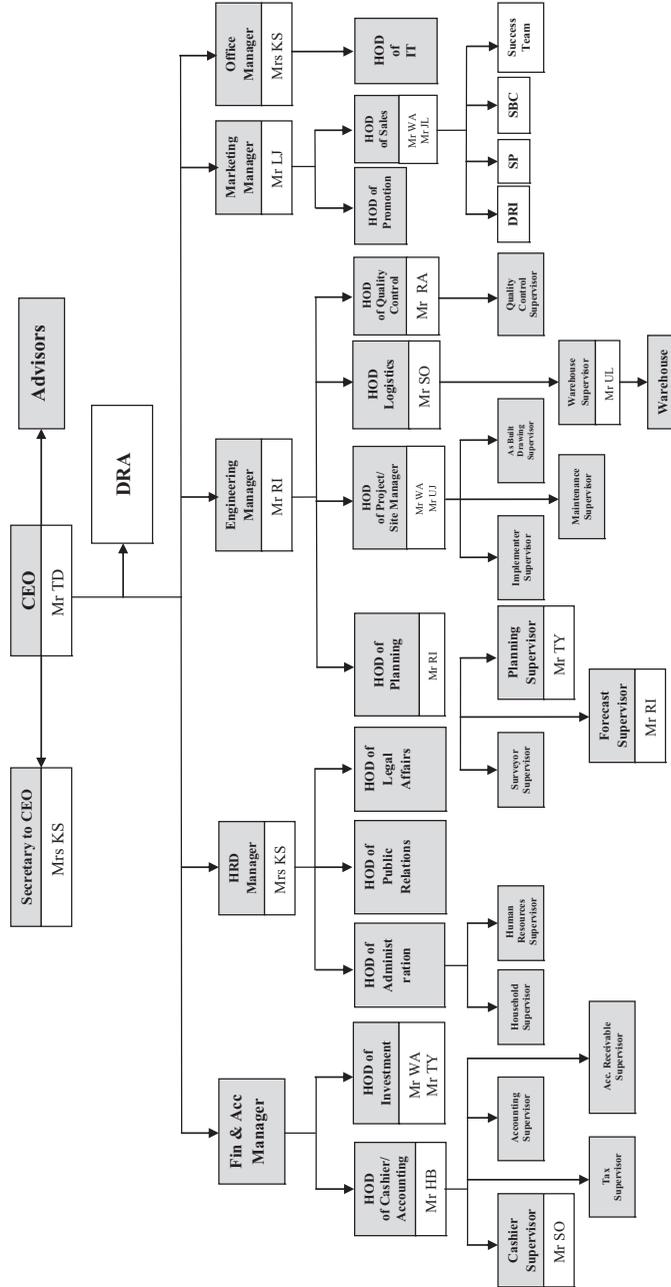


Figure 1.
DR corporate
structure

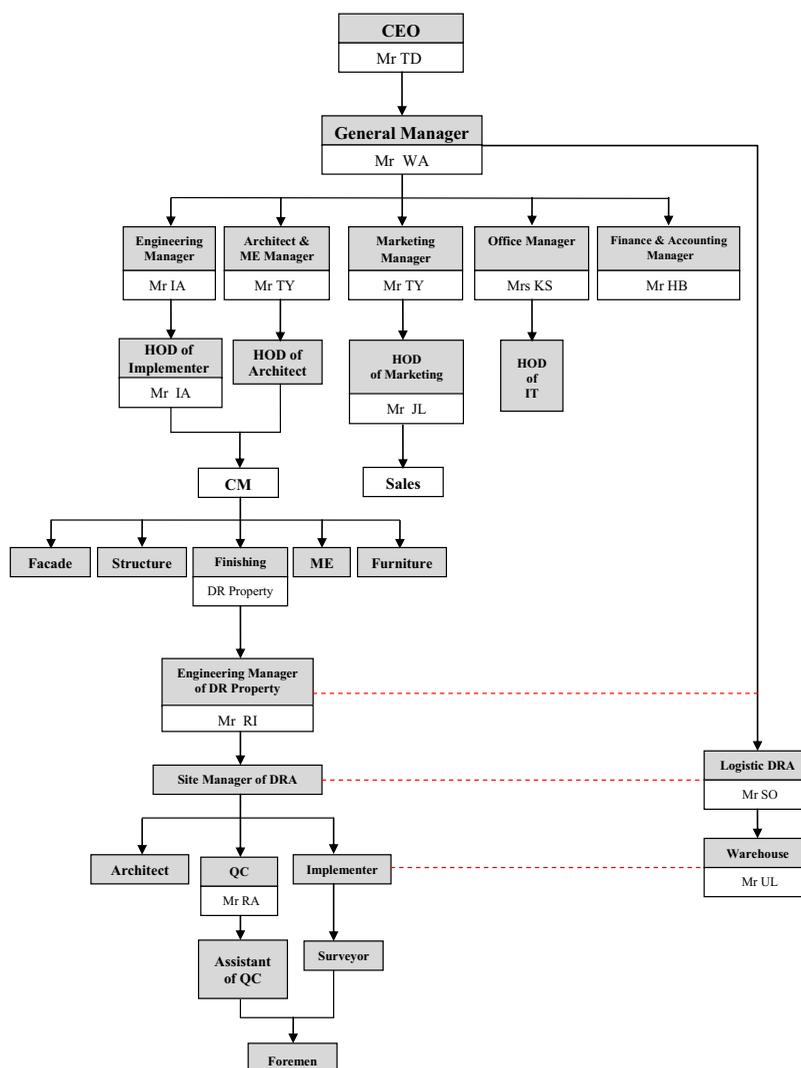


Figure 2. DRA structure

According to Mr TD, one should keep the balance between discipline and love, maintain solidarity among family members and friends, be loyal and willing to sacrifice, fulfil his responsibilities and obey his/her superiors, always seek for harmony in life and be a role model in society. These are his personal values that later became the foundations for his model of an ideal leadership style and organization.

After completing his bachelor degree, he worked in a construction company (MKD Company) for 10 years. On one occasion, he was sent to Bontang, East Kalimantan, to manage a project for five years. Because the area was a wild forest, the company provided him with a large house to live in. He invited his foremen and workers to live

with him. These experiences taught him the importance of knowing other people's personal character and of maintaining harmony and solidarity. He noted:

The workers served me in that house. They washed my clothes and cooked for me. But I tried to eliminate the gap. During the holidays, we had meals together, ate at the same table, I paid all the costs. Sometimes we caught fish together and ate grilled fish [...].

This close, caring and family-like atmosphere inspired him to adopt such a culture when he would later run his own company. Many of his previous subordinates chose to join him when he started DR Company, and some are still employed by him to this day. Mr ON (a previous employee of MKD, now a foreman in DR) commented:

When we were in Bontang, Mr TD always took care of his subordinates. He always paid the full wages and never cheated us. In fact, he chose to give us all of our wages before he got his own. I was among the ones who urged him to set up his own company and become a boss. He also advised me to save my money and take care of my family.

5. Mr TD's leadership style

Mr TD believes that his leadership styles are the key to manage the company and should be preserved in the future. Once, he stated that he wanted to create "more TDs to run the company". His leadership styles consist of three characteristics: the *bapak* model, concentric circles of trust and *tarik ulur*. They are influenced heavily by Javanese culture in which he and his employees are part of the broader community who practices the culture to various extents. As stated by Meek (1988), a leader does not create culture because a leader is a part of the culture. Mr TD's family education and experiences in interacting with various people have implanted certain values that are reflected in his leadership styles.

5.1 *Bapak model*

Mr TD's believe that leader's values should be consistent with the main spirit of a company. As mentioned below:

Different companies have different characters. Why? A company depends on its leader's personality. If the leader is a dictator, then the company will be oppressive to its employees. On the contrary, if the leader is wise and affectionate, he will treat his employees kindly [...] As long as I am the leader, my soul is the company's soul (Mr TD).

Mr TD regards DR as an extension of his family. As the head of this extended family, he wants lead with exemplary behaviour so that his employees can internalize his values:

The foundation for executing the company's vision is my role model. I know this doesn't always produce positive results. But it doesn't matter. The most important is that I set an example to follow, by displaying an affectionate and honest behaviour. This is my definition of my leadership: to give examples. It's simple.

Mr TD often refers to the principle of guru. For him, a leader has a responsibility to nurture its employees. If he treats his employees as his own family, then the employees will love him and regard the company as their family. As noted by him:

The company is a family so it's our responsibility to educate it, show it what is right and wrong. If our son makes a mistake, he is still our son and we have to correct him. But if our son says that he doesn't want to be a part of our family, then there is nothing we can do except let

him go [...] We should not be afraid of making mistakes as long as we continue doing the right thing.

Once, an employee stole some of the company's money. When confronted, he confessed and promised that he would never do it again. As Mr TD forgave him, that sparked controversies among other employees. He then gathered all the employees related to the incident and showed them that actually they were all guilty because they did not follow the standard procedures, allowing the person to steal the money. They finally accepted the decision and promised to improve themselves.

In another occasion, there was a prolonged conflict between the marketing and engineering departments. They could not solve the problem and asked Mr TD to solve it himself. He individually summoned the engineering and marketing persons, gave them advice and softly admonished them. The problem was solved after his involvement.

Meek (1988) states that people produce and reproduce culture, and cultural transformation may happen during the process. The two examples reveal how family-like relations were produced and reproduced in the daily interactions and used to educate the employees about the accepted behaviour in the company. Consequently, they trust him as a *bapak* that is neutral, reliable and beyond any conflict of interest.

Furthermore, Mr TD often uses the terms "my children" when calling his young employees. Javanese culture emphasizes that *bapak* ought to humanize his/her followers by displaying characteristics such as benevolence, being wise and thoughtful (Koentjaraningrat, 1985). Furthermore, *bapak* must act like a guru who can be emulated by his children. This has greatly affected the way they see him. The employees regard him as a *bapak* and guru. As commented by various employees:

We've learnt a lot from him. He is my mentor in many things, not only in my work but also in my personal life [...] We have to trust him because he has thought about our future, long before we even realise what lies ahead (Mr HB).

He always gives me advice, supervises me and asks me to do decent things in this life. He doesn't speak like a boss but a father. I don't have parents anymore, so I feel his advice just like my parents' words (Mr OP).

Each time he calls me to meet him on the third floor, I feel like I am back in school [...] I used to be reckless but I already became more responsible. (Mr JL).

Jogulu (2010) said that societal culture has expectations regarding the roles of leadership and characteristics deemed effective for leadership. The use of *bapak* model in daily interactions has established efficient, patron-client relations between the employees and Mr TD as the head of the extended family (and, simultaneously, the centre of power). His power is derived from him owning the company and it is reinforced by his ability to affirm his charisma as a benevolent father in the eyes of all employees. This paternalistic authority has created stability within DR and provided a comfort zone for its employees.

5.2 Concentric circles of trust

Mr TD is aware that he cannot personally monitor every activity in DR. However, he has learnt that there are persons worthy of his trust with whom he can share vital information and act as his *right hands*. Our observations show that there are concentric circles of trust within the company, and these circles have been confirmed by Mr TD

himself. There are five concentric circles, which we will name after their position relative to their common centre.

The inner circle consists of Mr TD's wife and of their son (Mr TY). This circle functions as the source of information about the other employees' performance and commitment. His wife is the *informal* Corporate Finance and Accounting (F&A) Manager, whereas Mr TY is the DRA Marketing Manager.

The second circle consists of two non-family employees: Mr SO and Mr RA. Mr TD has known their characters and loyalty for a long time. Both of them decided to leave MKB to join Mr TD when he resigned from this company. Mr TD mentioned that "they will even follow me to board a sinking ship as long as we can be together". Currently, Mr SO is in charge of logistics, whereas Mr RA is employed in quality control (QC) (Figure 1). Hence, the criteria for this layer are tested characters and proven loyalty.

The third circle consists of two family members: Mr WA and Mr HB. Mr WA is a successor candidate chosen by the 18 shareholders of the company in 2009. On one occasion, Mr TD mentioned that he wanted to produce "more TDs to run the company". He believes that his leadership style should be continued in the future and regards Mr WA as a person sharing many of his personal values. Hence, Mr TD began to prepare and delegate some authorities to Mr WA by appointing him as the general manager of DRA. Mr HB is the Finance Manager of DRA and he is being prepared to become the Finance Director of DR. Although Mr HB's and Mr WA's loyalty is unquestionable, their competence still need to be observed and tested further because of their relatively short experiences.

The fourth circle consists of the three managers of DR: Mr LJ, Mr RI and Mrs KS. Mr TD regards them as being competent to manage the operational activities of DR. The fifth circle consists of the rest of the employees, both family and non-family members.

In Figure 3, the arrows pointing to Mr TD indicate each person's degree of dependence on him. The closer the circle is to Mr TD, the more the people inside that circle are obedient and loyal they are towards him. The farther away the circle is from Mr TD, the less obedient and loyal the people inside the circle are to him. In addition, the arrows also indicate their willingness to share crucial information with him, such as

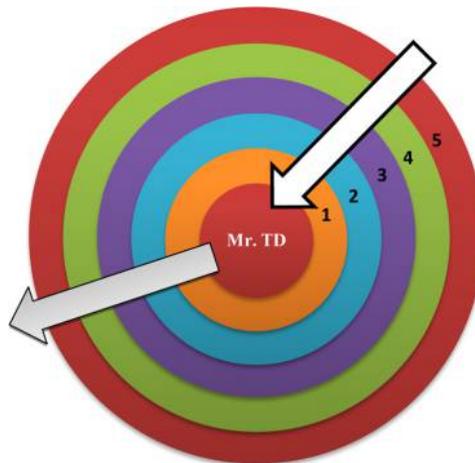


Figure 3.
Mr TD's concentric
circle of trust

conflicts among employees, individual employees' commitment, etc. The arrows springing from Mr TD indicate the amount of rewards they will receive from him (money and facilities, attention paid by him to their families, working conditions, etc.).

Obviously, family ties are not the only factor determining how close someone is to the centre of power because personal loyalty, values, abilities and experience also matter. Although, the allocations of power and status are subjected to his reinterpretation, Mr TD has made clear that his trust may be obtained by anyone who meets his criteria. In a family, every member has his/her relative status based on how good/bad he/she is in the eyes of the father. Thus, at the bottom, the philosophy of a family still underlies DR's daily interaction. The circle represents the "new family" structure in the company, where good members are rewarded with more power.

It must be emphasized that the membership of the circles is not static. The membership is dynamic where employees from outer circle can be accepted by Mr TD into inner circles, depending on how well he/she can satisfy the criteria set by Mr TD. As the recruitment process in the company is highly selective (see cultural control section below), there is no significant difference between the behaviours of inner and outer employees. What matters here is how consistent is their behaviours and performance in fulfilling the expectations of Mr TD. The process is natural and the personal judgment of Mr TD develops over time following the dynamics of the company. In this sense, those who feel uncomfortable with the company's culture will resign automatically and those who stay are the ones that have shared and accepted the values as such.

5.3 Tarik ulur

Tarik ulur is an Indonesian idiom for "pull and push", meaning the use of soft and hard approaches in the right time. Mr TD uses tactics that combine tight and loose controls to make employees perceive that they are empowered, although they should be aware of the limits within which their behaviour will be considered acceptable. He assesses a situation based on its possible final results. If things go according to his expectations, he will not intervene and let the employees exercise their authorities. However, he reserves himself the right to overrule them whenever he thinks necessary.

There is an outspoken but capable DRA marketing agent, i.e. Mr AS. He often expresses his disagreement with Mr TD during meetings. Being aware of Mr AS' potential, Mr TD formed a special team consisting of seven skilful marketing agents led by Mr AS (henceforth Tim 7). The target given to this team was to sell 100 apartment units within three months (from May to July 2011). They managed to reach the target. Consequently, the team was allowed to continue and was given more authority to make decisions. By doing so, Mr TD demonstrated to his employees that he was not an authoritarian leader and that he valued competent persons.

In another case, Mr TD intervened directly in a meeting. As previously mentioned, Mr WA is the projected successor of Mr TD. As the General Manager, Mr WA is supposed to lead DRA meetings and make decisions. However, based on our observations, Mr TD was very dominant, told the participants what to do and even outlined the schedule of the project. Mr WA was quiet and listened carefully. When interviewed individually after the meeting, he mentioned:

Yes, Mr TD was dominant during the meeting. He is our leader. We shouldn't challenge him openly. We will surely evaluate and give him input during the execution later, but we can't say "no, it's impossible" during the meeting. It would be impolite. We must show respect to leader (Mr WA).

Interestingly, Mr TD noted in this matter:

I always notice the details. If deemed necessary, I will make decisions. Nobody should feel inconvenient. I also teach him (Mr WA) to be humble and not easily irritated. This character is very important. He is the kind of person that is willing to listen and I always educate him to behave this way. A leader cannot just leave everything to others, doesn't want to know and just work behind his desk (Mr TD).

Mr TD's approach to Mr WA is apparently driven by the importance of the decisions, as well as by his intention to train Mr WA's mentality to restrain himself and listen to others.

Tarik ulur style balances strong personal identification towards Mr TD and spaces to other to execute individual authorities. His interventions were accepted by the participants (both family and non-family members) as a way of teaching them on how to make decisions correctly. There is no direct connection between *tarik ulur* style and Javanese values. Indeed, the characteristic is Mr TD's personal philosophy derived from his experiences regarding how to lead subordinates. However, it is fair to say that the style is socially accepted because it is consistent with Javanese concept of leader. Thus, formal structure and job description is subservient to employees' cultural norms of respecting and trusting him as their guru.

6. MCS in DR

Mr TD's leadership characteristics is implicated in the company's MCS. In DR, the owner and employees do not differentiate between formal (official) and informal (unofficial) controls; there is no external party to whom they must comply with or seek legitimacy for the MCS. All control practices are seen as part of routine organizational practices that have social and technical implications. Hence, we attempt to understand the company's MCS from their viewpoints (emic) and explain it by using the most relevant/closest theoretical/conceptual frameworks (etic). For analytical purposes, we use the terms cultural, process and result controls to describe the company's MCS.

6.1 Cultural control in the company

Cultural control in DR is based on a collective consciousness of viewing the company as an extended family of which members take care of each other. Consistent with the Javanese concepts of *bapak* and *rukun* (Efferin and Hopper, 2007; Rademakers, 1998), this family has a hierarchy in which Mr TD is its head and the employees are its children. The head must educate and fulfil the needs of the children (Koentjaraningrat, 1985). In turn, the children must obey and respect the authority of the head.

Children also needs to share the values of harmony and *gotong royong* in the family (Koentjaraningrat, 1985). Employees are expected to maintain unity and to share joys and pains. Mutual aid is encouraged and selfish behaviour is not accepted. Whenever the employees have difficulties to fulfil their duties, they are obliged to consult to their superiors or learn from their senior colleagues. Deviations from the espoused behaviour would result in collective pressures to correct them. The pressures can take the forms ranging from reprimands, to being reported to superiors to expulsion. This is confirmed by Mr RI:

We honour brotherhood, loyalty and honesty. Even the foremen are our family. So, humane relationships are established from the highest rank to the lowest. This should be preserved in the future.

The company's culture is not purely created by Mr TD. In fact, some of them spring from the basic norms and values that have been possessed by the employees due to the strong influence of societal culture on them (Meek, 1988). Hence, the consciousness is, at least partly, a product of a collective consensus between the owner and the employees based on the Javanese culture. This culture is then produced and reproduced through various practices including filtering new employees, coaching sessions, physical and social arrangements, ownership sharing and Mr TD's personal relationships with employees' families.

Filtering new employees

The process of recruiting new employees in DR symbolize the cultural selection to choose who is (not) eligible to become the new members of "the family". Recruitment process is the first stage for choosing candidates on the basis of "cultural fit". They must be fit into and conform with the values of the company. Most of the recruitments are based on personal recommendations from trusted employees. They recommend their own children and/or relatives to Mr TD. This is different from nepotism. Mr TD favours candidates who own the required competencies that fit the related job specifications and the family culture. Such recommendations are important because trusted employees will have the duty to educate the newly employed persons. If they recommend people that do not fit, they risk losing Mr TD's personal trust in them. He noted: "a fruit does not fall far from its tree", meaning that a good employee will recommend a good candidate who can easily adapt to the company's culture.

Coaching sessions

Coaching sessions symbolize the efforts to maintain the company's norms and values. DR's culture is reproduced here and given special meanings relevant to the company's daily activities. They consist of prayer time meetings and skill development sessions. Prayer time meetings are held monthly, as well as before commencing a new construction project. Although these meetings start with a Catholic prayer, the remainder of the event is more universal and followed by all employees, regardless of their religious beliefs. Usually, Mr TD gives a sermon on the meaning of love and care in daily aspects of work and life. Afterwards, the employees are expected to share their experiences and opinions in relation to the specific theme of the sermon. It is interesting to note how Mr TD interprets the teachings of Catholicism into more universal meanings including loyalty and harmony, which can be comprehended by non-Catholic employees.

Coffee morning sessions are held twice a week to coordinate marketing agents to share ideas/experiences and, simultaneously, to internalize some values related to the work of the agents in a relaxed atmosphere. Different from prayer time meetings, Mr TD tends to restrain himself and gives opportunities for managers (such as Mr TY and Mr LJ) to speak out and to motivate the agents. Apparently, Mr TD uses the sessions to gradually build the power of his successors.

Coaching sessions has two implications. Firstly, they enable the employees to learn many things about work and personal values from Mr TD. Secondly, the sessions bring

togetherness among all organizational members facilitating *musyawarah* and *mufakat* in the company. Although approximately 50 per cent of the employees are Javanese Muslim, the use of Catholic prayer in the prayer sessions is not a problem. They share a tolerant view of religious matters based on the principle of universal truth (see [Beatty, 1999](#)). Obviously, societal culture is the most dominant factor in shaping the values and interactions of all members. What matters here is not the religion but the message of the ceremony itself. The ritual serves as the reminder of the existing norms to communicate work expectations. Mr TD believes that he needs to play his role as a *bapak* by educating his employees. However, this role was not invented by him; it is a part of the broader existing cultural values that have permeated into and become the collective consciousness in the company. Thus, it is better to say that he creatively uses the available cultural resources into certain organizational rituals that bring benefits to the company ([Meek, 1988](#)).

Physical and social arrangements

The culture is also symbolized through physical and social arrangements. Physical symbols are, for example: uniform, office design and layout. The uniform is green, casual and designed for mobile activities. The office has three floors. The first floor hosts the marketing and engineering departments, they serve customers. For security reasons, the second floor is occupied by the F&A departments. Except for the managers, staff members do not have individual rooms to facilitate their communicating with each other. The furniture is functional and ubiquitous. The impression of openness and sociable atmosphere in the second floor is very strong. The third floor is occupied by Mr TD and his wife. This spatial upper position symbolizes the highest authority in the company, a very status-implying respect towards the head of an extended family.

The social arrangement is represented by an intimate family-like atmosphere in the whole office space. The employees make jokes and tease each other, spreading informal behaviour. On the birthday of an employee, he/she brings meals to the office and eats them with others to together celebrate the happiness. On other occasions, if an employee is in grief, the others will collect money and give it to the afflicted person as a symbol of their condolences. Obviously, the atmosphere blurs the line between work and personal relationships among employees. A rigid separation between the two relationships is contrary to the basic assumption of a family and may cause organizational tensions and unresolved conflicts. Furthermore, formal meetings are not always effective for resolving problems because there is a tendency in Javanese culture to avoid overt expression of divisive opinions and feelings (see [Geertz, 1961](#)). By contrast, warm interactions in relaxed atmospheres smoothens communications among the employees to discuss the works and find solutions for their problems. Thus, the atmosphere is crucial for resolving conflicts, maintaining social harmony and building a solid organization.

Ownership sharing

Ownership sharing is a symbol of extended family in DR where social gap between owner and employees is minimized. Mr TD has allocated a certain amount of under-the-table shares for selected employees. However, any share can be withdrawn by Mr TD if he thinks the employees do not fulfil his expectations. The allocation is a

symbol of Mr TD's appreciation of their loyalty. This has increased their income and strengthened their emotional ties to DR. However, some negative effects are noted:

There were some cases in which they became arrogant and pursued their personal interests. They didn't know whether they had to position themselves as shareholders or as mere employees. Sometimes, they chose the position which gave them more benefits (Mr TD).

In most cases, Mr TD admonished them personally to improve their behaviour. Despite the negative effects, Mr TD still feels that the positive effects are greater. The following comment from Mr OP supports this:

My goal is to pursue my wellbeing. We do not work here just for Mr TD, but also because we are responsible for making the company grow. We get jobs, food, money [...] so there is no reason to betray him. If the company gets bigger, we will surely be more prosperous.

Our observations show that employees who own some company's shares often work overtime and never ask for extra premium. This shares allocation has made them to think like owners. Thus, the collective and familial culture of the company is strengthened by this practice. Social gap between the core owners (Mr TD and his family) and employees is minimized by implanting a thought that employees can be owners if they share the values of the owners.

Roles of employees' families

As a *Bapak*, Mr TD is personally involved in some employees' family events such as *arisan* (traditional lottery), *silaturahmi* (traditional social gathering), circumcision rituals, company's recreations involving the employees' families, personal visits to sick employees and he will donate personal gifts on employees' special occasions (e.g. birthdays, weddings, etc.). Such events have very important cultural meanings for Javanese society. Consequently, his involvement symbolizes and affirms his *bapak* status in the eyes of the employees and their families. For example, many Javanese Moslem employees invite him to attend circumcision rituals of their sons. His presence is considered as a great honour for the employees and their families. Usually, Mr TD gives a speech in front of the guests on issues such as how to build a happy family, to balance work with family life, to manage financial issues, etc. This has implanted a strong image of a respectful and caring leader in their minds.

There was a case in which a marketing agent wanted to resign and work for another company. However, his family prohibited him to do so because they felt indebted to Mr TD and did not want to lose his kindness. This marketing agent has not quit until now and is still motivated by his family to work well for DR.

As mentioned by Mr ON:

Mr TD is generous, forgiving and willing to understand our problems. He is very caring with our conditions such as our prosperity, health and work. If our son is unemployed, he will offer him a job here so he can earn some money. He also provides monthly allowance for medical treatment. We manage to have house and motorcycle.

This reveals the importance of paternalistic relationships between leaders and followers (Rademakers, 1998). By winning the heart of his employees' families, Mr TD made strong allies to maintain the company's interests. This is the very essence of the alliance: winning the heart of the employees' families means effecting cultural control on the

employees. Their families then play active roles in motivating the employees to be loyal and to give their best to the company.

6.2 Process control

Process control is implemented in areas such as finance and construction, where activities can be standardized, and where prudence and obedience are considered more important than creativity. Its implementation is adjusted to fit Mr TD's leadership characteristics and the cultural control in the company. The two areas are considered as critical that the direct involvement of Mr TD and his most trusted persons is required. By doing so, Mr TD makes sure all critical activities are under his control, in both direct and indirect ways. Therefore, his circle of trust is crucial in the implementation of process control.

Process control in DR is enacted through accounting and financial procedures and standard operating procedures (SOP) for construction projects.

Accounting and financial procedures

Formal accounting and financial procedures include the management of cash receipts, payments, billing, payroll and bank and petty cash disbursements. These procedures are designed to prevent errors, fraud, negative cash flow and unnecessary delays. Standardized procedures and document flows are performed through separated functions (custody, recording, checking and approval) as behavioural constraints and preaction reviews. Critical financial functions such as checking and approval are managed by persons who Mr TD trusts (Mr TD's wife, Mr TY and Mr HB) to protect his family assets.

At a glance, the process control looks similar to a generic prescription of internal control. However, it has its own contextual meaning. The involvement of the key persons in the critical functions mirrors Mr TD's concentric circles of trust. Thus, rather than leaving financial control to "unknown" professionals, Mr TD chooses to use people in his inner circle to perform the duties. By doing so, he uses multiple safety measures to eliminate the risk of collusion.

SOP for construction project

Mr TD is personally involved in controlling construction activities. Indeed, project budget and site plan are critical in planning a construction. Before commencing a project, Mr TD assesses the prospects of a construction site. If the prospects are satisfactory, he will hold meetings with his managers to discuss the details. Afterwards, he will make the project budget and site plan for himself.

The site plan is used by the Engineering Manager (Mr RI) as a basis for making the development plan. If Mr TD agrees to the plan, the manager will issue the work order (WO) to the site manager. The site manager coordinates and controls the implementers and the foremen according to the time schedule mentioned in the plan (Figure 4).

During the construction process, critical functions are performed by QC and logistics. QC is responsible for monitoring the progress of the project to ensure the completion according to the schedule. Logistics is responsible for ensuring that the materials are purchased economically, stored safely and used efficiently. Thus, QC and logistics play vital roles in ensuring customer satisfaction and securing financial aspects of a project, respectively.

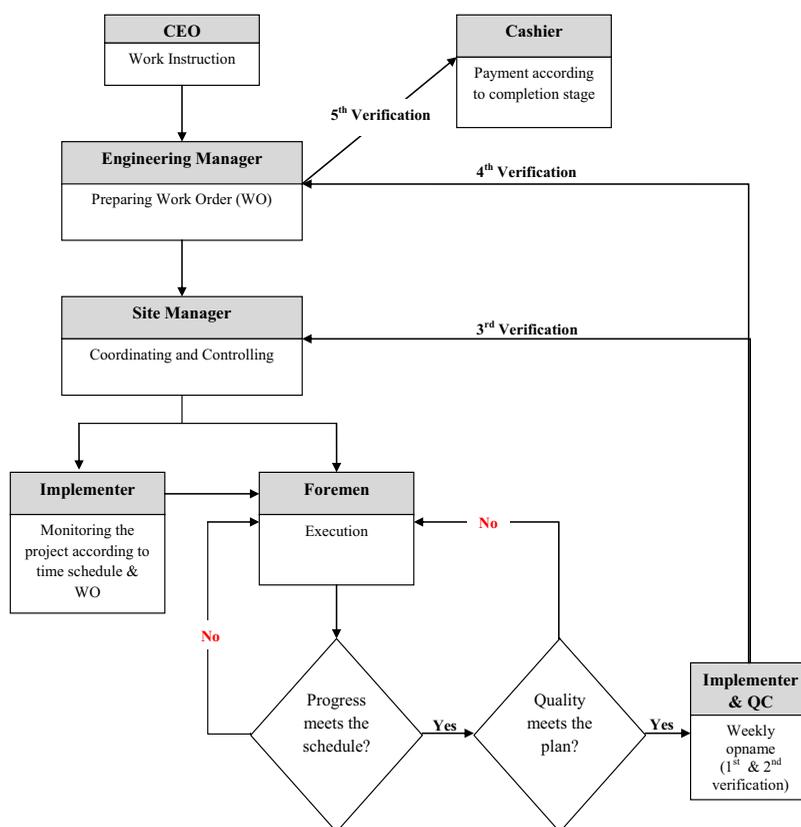


Figure 4. SOP for a construction project

The two persons in charge of QC and logistics are Mr SO and Mr RA, respectively. They are two of Mr TD’s most trusted and loyal persons (see Section 5). Mr TD calls them “the gatekeepers of engineering”. Logistics is the entry point of engineering because it determines the quality and price of the inputs (materials), whereas QC determines the quality and delivery of the outputs. They act as Mr TD’s eyes and ears, ensuring that the project develops according to his expectations.

Obviously, Mr TD’s circles of trust play an important role in determining who holds which position. The combination of the circles and company’s structure has produced a tight, holistic behavioural control to minimize motivational problems. Thus, personal trust is at the centre of the process control system, reconciling the needs to have a systematic form of control with his personal beliefs.

6.3 Result control

The control is implemented in the areas where the outcomes are measurable and/or creativity is required. Result control is exercised through project efficiency, project completion and sales productivity. However, this does not mean that the result control provides clear delegation of authorities or high level of decentralization. Instead, its

implementation is more similar to a coordinating mechanism that symbolizes Mr TD's *tarik ulur* philosophy.

Project efficiency

Project efficiency is measured through individual project budgets personally made by Mr TD. Each budget is basically a simple spreadsheet used to predict its profits. He sets targeted sales and efficiency standards by using historical data, prediction of input/output price fluctuations and macro-economic forecasts. Units of measurement are Rupiah/m² and volume/m² for direct and indirect material usage, wages, overhead, legal costs and marketing expenses. Then, cash flow budget is prepared to predict the working capital requirements. According to Mr TD, the level of accuracy of the budget is between 85 and 90 per cent.

The budget is regarded as confidential and is not made available to employees. However, certain figures are communicated to selected employees. Mr TD keeps critical information and carefully distributes parts of it to relevant parties. The employees may know some aspects of the company, but only Mr TD's closest family members know the whole picture.

The finance manager receives cash flow predictions to manage the working capital. The engineering manager and people in charge of logistics receive material requirements (only in volume, though). Based on the available information, the engineering manager and people in charge of logistics work together to ensure that the level of stocks in the warehouse is kept in an optimal volume.

Efficiency variance of material usage is the responsibility of the engineering manager and people in charge of logistics. However, Mr TD continually monitors the indicators to anticipate possible problems. If problems arise, he will discuss and provide directions to the employees. Thus, it is basically a coordinating mechanism rather than a pure control tool. The system is implemented interactively rather than diagnostically. Direct rewards/punishments linked to the efficiency indicators are seen as unnecessary because moral commitments (cultural control) have been present. All variances are investigated in a spirit of "improving the next project" rather than rewarding/punishing the persons in charge.

Project completion

Weekly project completion percentage indicators are used to control site managers and foremen. Site managers and foremen are also expected to report to the engineering manager whenever there is a problem that may delay the completion of the project. The actual completion rates are verified by QC and any significant deviation is investigated to find its causes. If the actual completion is on or ahead of the schedule, site managers and foremen will receive bonuses such as extra money or family recreation. However, there is no specific formula to calculate the amount of these bonuses, as they depend on Mr TD's judgment. If site managers and foremen cannot meet their targets, they will get warnings from the engineering manager. If there is still no improvement, further warnings are given by Mr TD. At this stage, their fault is perceived as almost intolerable. The ultimate step is dismissal. Below the foremen lines are freelance labours who are paid weekly based on daily rate. The foremen are responsible to observe the labours. If they are not productive enough to meet the indicators, the foremen will report them to the site managers and the managers will fire them and seek replacements. There

is no special treatment for controlling the labours, as they are not permanent employees of the company.

The following case reveals the importance of the interaction between the owner and the employees. Some houses were delivered late to customers. Instead of being angry or punishing the engineering manager and the supervisors, Mr TD softly admonished them that he had suggested a certain method in a previous meeting, but that they still chose their own, different method instead. Mr TD's soft words symbolized a big "slap", showing how their stubbornness caused a loss to the company. Nobody dared answering him. They learned their lesson and attempted to better listen to him in the next meetings. By doing so, Mr TD shows that he is willing to delegate authority but the employees have to be aware of the cost of ignoring his opinion. As noted by Mr TD:

The structures of a family and an organization are similar. If your older brother admonishes you, the impact will be different from that of your father [...] It is important to have a tradition of respecting your leader. What happens in your home is similar to what happens in your office.

Thus, the family culture is at the centre of the result control. In this sense, performance indicators and rewards are merely the symbols of the authority possessed by the owner to reward his employees rather than an objective mechanism for evaluating employees' performance and creating goal congruence. There is no difference between controlling family and non-family members because the concept of family culture has been applied to and shared by all permanent employees of the company.

Sales productivity

Sales productivity is promoted by using the combination of group-based and individual rewards. There are two different teams in DRA: Team 7 and Team 20. There seems to be an experiment aimed to know which one of the two methods is the more effective one in motivating agents. At the time this paper was written, both methods were still simultaneously implemented.

Group-based incentives are applied to DRA's Team 7 in Marketing Department (see Section 5.3) to encourage *gotong royong* among its members. To avoid deleterious individual competition, their commissions are distributed equally. Interestingly, this policy was suggested by a trusted employee, Mr OP:

Previously, in the Garden project, conflicts among agents were intense. In 2006-2007, the agents were not close to each other. However, we don't have communication barriers anymore. We are one body. If one finger is hurt, the other parts will just hurt the same. Mr TD teaches us not to hurt each other (Mr OP).

Although the relationships between individual efforts and their results are weak, co-operations become stronger. Agents with the weakest sales productivity help the more successful ones by distributing brochures, collecting down payments from buyers, managing invoices, etc. The rewards act as a glue to create unity (*rukun*) rather than a source of discontent. The societal culture has provided a condition that enables the collective rewards work. The scheme works because it accommodates the principles of *musyawarah*, *mufakat* and *gotong royong*, which places the group goals over individual goals. Hence, the scheme is culturally legitimate for both Mr TD and the agents. In a situation where co-operation is crucial to cope with market uncertainty, Team 7 agents are inclined to follow the dominant cultural values that have existed.

Individual incentives are designed and implemented by the marketing manager, Mr TY (Mr TD's son) in Team 20. He implements new selling tactics and target reviews, and renews rewards and punishments. The two main indicators of sales productivity are the number of sold units (verified by the agent's proposal to customer and receipts) and the percentages of customer's down payments overdue. There is a predetermined formula to calculate agent's commission is based upon two indicators. Mr TY's view represents a different cultural approach in motivating agents which relies on individual efforts, performance and rewards. As a member of the young generation of the family, he has different educational background and experiences that could be the reasons for choosing the methods.

The competition between traditional Javanese and more modern, rational approaches is an interesting phenomenon. Meek (1988, p. 464) states that "people do not just passively absorb meaning and symbols; they produce and reproduce culture, and in the process of reproducing it, they may transform it". The different schemes indicate that even in a company with a strong influence of traditional culture, there is room for experimenting different approaches. Instead of being attached to a rigid Javanese collectivism, Mr TD is rather pragmatic and willing to learn from his son and his trusted employees to see which methods are the best for the company's interests. This kind of experiment could be the embryo for long-term organizational transformation. In other words, the extent of the MCS transformation also depends on "the dialogue" between the owner and the employees. Hence, economic pragmatism can go hand in hand with cultural beliefs to decide what changes are legitimate/illegitimate.

7. Theoretical implication and conclusion

This study has three research questions: What is the cultural context of family business and how important is the context in developing the leadership of a family business? What are the production and reproduction processes of the culture into the MCS? What kind of MCS does emerge as a consequence of the processes? The questions are asked to get a more in-depth understanding of MCS in family business context. The structural-functional approaches cannot fully explain the phenomenon, while interpretive approach can (Meek, 1988). Meek's framework views that organizational culture and leadership is the product of negotiated and shared meanings emerging from the social interaction of all participants of which leader itself is only a part. The framework is combined with literatures of Javanese culture (Koentjaraningrat, 1985; Rademakers, 1998; Geertz, 1961) and anthropological analysis of emic/etic views (Efferin and Hopper, 2007) to answer the research questions.

Turning first to the cultural context and leadership development, there is obviously a connection between Mr TD's personal background and his leadership characteristics. Although Mr TD is a Chinese Indonesian, his personal values stem from Javanese culture. In addition, his family education and personal experiences have strengthened some aspects of the culture. Various structural-functional literatures mention that the culture of a family business stems from its owner's values that are transferred to organizational members and used as a behavioural guidance by family and non-family members of the organization (e.g. Carlock and Ward, 2010; Dyer, Jr., 2006). This means that organizational members are passive agents and accept the organizational culture created and imposed by the owner. However, our study reveals that Mr TD does not create his company's culture but rather he adopts the broader societal culture (Javanese)

that has already been shared by him and his employees. Mr TD's leadership characteristics of *bapak* model, circles of trust and *tarik ulur* are grounded in Javanese culture of the family concept. The cultural congruence between the owner and the employees enables the establishment of stable organizational culture in the company, which in turn is implicated in the owner's leadership characteristics. It is acknowledged that an owner is in better position than other organizational members to influence his/her organizational culture because his power stems from his ownership, as well as his structural position. However, a leader is also a product of a broader societal culture. Hence, he/she is not a creator but a mere *manager* of the organizational culture, as he/she can only adopt and modify the available societal values for his/her organization. Thus, Javanese family concept provides the meaning and foundation of leadership (and followership) in a family business. Leadership is strong if it is grounded in the broader societal culture of which owner and employees of family business are part of.

Regarding the production and reproduction of culture into MCS, the study finds that Mr TD employed a team of trusted, loyal and capable persons including both family and non-family members to control the organization and to protect the interests of his family. Various mechanisms of cultural reproduction in the company have been identified including filtering new employees, coaching sessions, physical and social arrangements, ownership sharing and the involvement of employees' families. The mechanisms involve the key persons of the company. It means that an owner of family business cannot rely solely on his/her charisma in controlling the company. The leadership is embedded in societal culture of a family and is manifested in MCS practices. An owner and his/her inner circle collectively play crucial roles in producing and reproducing the legitimate leadership characteristics and MCS of a family business. Meek (1988) mentions that organizational culture can be a source of organizational unity or conflict. The above findings show that in DR Company, there is a consistency between cultural symbols and the pattern of social interactions among the participants. The collective reproduction of societal culture into cultural control has created organizational consensus and cohesion based on shared symbols and meanings. In other words, the legitimate source of authority in family business stems not only from an owner's values but also from cultural consensus among key persons of the company. The MCS is not imposed by the owner, but it is negotiated and produced based on the common cultural ground of the owner and his/her key persons. Thus, to say that family business' MCS depends solely on the leadership of its owner is rather overstated. Ownership means nothing if he/she cannot culturally win the heart of key persons to form strong coalition based on family concept to control the organization.

The cultural consensus among key persons does not mean that MCS in family business is static. Mr TD's experiment of rewarding marketing agents differently (Team 7 and Team 20) shows that MCS changes are possible in family business as long as it serves the business goals of the owner. As stated by Meek (1988), culture can be altered in the process of social reproduction through "dialogue" among organizational participants. Hence, leadership and MCS transformations depend on the dialogues between the owner and his/her inner circle. The existing cultural consensus makes communication easier and opens up the possibility of using business pragmatism to synchronize different interests of and minimizing conflicts among the participants. Business pragmatism shapes their collective consciousness about the means and ends of

their business. Thus, business pragmatism goes hand in hand with culture in giving room for organizational experiments that may result in MCS transformations.

Our research partly supports the studies of *Ansari et al. (1991)* and *Tsamenyi et al. (2008)* that societal culture is at the very centre of MCS in family business. However, different from the two studies that highlight the duality of formal and informal controls, our study finds that there is no dichotomy between the two controls. Formal and informal controls refer to the separation between official/written and unofficial/verbal. Our study finds that such separation does not exist in the eyes of organizational participants because DR Company does not need external legitimization for their MCS. In other words, all of the MCS practices are official (and simultaneously unofficial). Hence, to understand its MCS, we use the viewpoints of the participants (emic) and the closest conceptual framework (etic) by classifying MCS into cultural, process and result controls (*Efferin and Hopper, 2007; Merchant and van der Stede, 2007; Efferin and Soeherman, 2010*). The result of our study reveals how the three controls are inextricably linked in family business. Cultural control based on collective familial norms among all organizational members is the most dominant one and simplifies the other forms of control. Process and result controls become supplementary aiming to reduce possible ambiguities that may otherwise exist. Consequently, the implementation of result and process controls are interactive and more analogous to coordinating and consensus-seeking mechanism rather than pure, diagnostic controls based on delegation of authorities. Thus, cultural congruence among all members determines the degree of bureaucratic mechanisms required. The stronger the cultural control, the lesser the need to use process and result controls. The weaker the cultural control, the higher the need to use process and result controls to fill the cultural gaps. Cultural control based on the Javanese family concept shapes the ways the other controls are implemented and interpreted by the participants. The final product is an MCS that can make all organizational members (family and non-family members) to think like a big family and have a strong sense of belonging towards each other under the same values and principles. Therefore, to understand MCS in family business, researcher needs to examine the links between societal culture, socialization, owner's values, employees' values, pattern of interactions among all participants and the pragmatic considerations of the owner in coping with the dynamics of business environment.

This study has at least three potential limitations that warrant further research. Firstly, the family business under study here is still run by its founder. The impact of the succession on organizational culture, leadership characteristics and MCS cannot yet be investigated. Further studies are required to explain their dynamics after succession. Secondly, the company has no subsidiaries. Multiple subsidiaries may have their own subcultures that, to some extent, may be different from those of the headquarter. It will be essential to conduct further studies to explore the impact of subcultures on leadership and MCS. Thirdly, Indonesian paternalistic culture is embedded in the family business. Different cultures may differently affect the leadership and MCS. Further studies that compare family business across countries are crucial in gaining a more comprehensive understanding.

Family businesses play important roles in the economies of less developed countries because their number is inarguably dominant. Furthermore, the number of less developed countries far exceeds the number of developed countries. Hence, the future of businesses in the globalisation era will depend a lot on the transformation of family

businesses in less developed countries. We hope that more contextual theories can be produced to help understand and explain the transformation of leadership styles and MCS practices in family business.

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Corresponding author

Dr Sujoko Efferin can be contacted at: s_efferin@ubaya.ac.id

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