

# TOWARDS A THEORETICAL FRAMEWORK OF MANAGEMENT CONTROL SYSTEM IN CHINESE OVERSEAS COMPANIES

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## **Abstract**

*This paper examines the current achievement of the studies of the socio-cultural aspects of Management Control System (MCS) in the context of Chinese overseas companies and proposes some agendas for future theoretical development of MCS in such a context. MCS may consists of three different control forms: result, action and personnel/cultural controls (Merchant 1998). The first two forms are bureaucratic in nature whereas the others are informal. The variability of MCS is subject to its cultural legitimation and technical prerequisites. It is said that personnel/cultural controls are possibly the dominant form in Chinese overseas companies given their socio-cultural environment. However, the studies of MCS in Chinese overseas companies are informed almost exclusively by Hofstede's positivist methodology of five psychological cultural dimensions (Power Distance, Individualism, Uncertainty Avoidance, Masculinity, and Confucian Dynamism). The findings tend to be superficial and inconclusive. It is proposed that there are three socio-cultural factors shaping the practices of MCS in Chinese overseas companies: Confucian values, the values of non-Chinese organizational members and ethnicity. The practices cannot be separated from the interaction between the ethnic group and local people. Consequently, local values and ethnicity may also characterize MCS practices.*

## **INTRODUCTION**

Studies of organization have been developing rapidly since the 1980s. Their research questions have been broadened from merely technical and mechanical aspects dominated by neo-classical economic assumptions to their specific, dynamic, societal contexts with different methodological perspectives (Hopwood 1983; Hopper and Powell 1985; Scapens 1994; Ansari and Bell 1991).

One of the most significant developments in the studies of organisations recently has been the study of management control in its socio-cultural context. The way managers control their organisations is interdependent with the sort of