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
organisations and the natures of the political, financial, labour and cultural systems it is embedded in (Whitley 1999). It is also argued that control in the workplace and the motivation of the employees can be increased through understanding and exploiting their beliefs, cultural relativism, and ethnocentric behaviour (e.g. Cheater 1989; Wickramasinghe and Hopper 1999). This type of study is gaining prominence both for the business and academic communities in light of increasing globalisation which is producing opportunities and necessities for companies to establish international operations and to design and use their companies’ management control system (hereafter, MCS) according to the socio-cultural conditions of the local countries (Harrison and McKinnon 1999).

However, the studies have apparently not achieved an in-depth understanding of the socio-cultural aspects of MCS for several reasons (Bhimani 1999; Harrison and McKinnon 1999; Whitley 1999). Firstly, they are almost exclusively Hofstede-oriented in nature with a simplistic and static view of culture. Secondly, it is assumed that national contexts can exhibit similarities in the functioning of MCS. Thirdly, the cultural aspect itself does not sufficiently explain the differences in the design and use of MCS. Finally, many of the studies are based upon a positivistic methodology relying on simplistic postal surveys and descriptive statistical analysis to test for the presence of predefined cultural dimensions and variables. New perspectives are needed in this area of interests. The call for new approaches involves the extension of the cultural dimension through the inclusion of anthropological and sociological perspectives and the use of ethnographic and fieldwork research which require in-depth understanding of the object(s) under study.

Obviously, the call for new approaches in MCS is consistent with the call for the wider inclusion of social aspects in accounting research. The anthropological and sociological perspectives may contribute significantly to the theoretical development of MCS by viewing the system and its practices as a manifestation of humankind in specific times and places, emphasising holism, social and cultural relativism, and emic as well as etic views, with an explicit focus on the embeddedness of economic activities in the local socio-cultural system and various social institutions (Smith and Young 1998; Scupin 1998; Wilk 1996). Therefore, it can be said that MCS research needs theoretical frameworks to explain how an organisation’s MCS becomes intertwined with its surrounding socio-cultural environment. Such frameworks may open up a possibility not only to explain why a specific use of MCS does exist in a specific context or does not operate as expected, but also to sensitise controllers about various local factors significantly determining the effectiveness and efficiency of a MCS, which in turn, may increase their ability to design and use appropriate different MCSs for different organisations.

This paper examines the current achievement of the studies of the socio-cultural aspects of MCS in the context of Chinese overseas companies and proposes some agendas for future theoretical development of MCS in such a context. Studies about business practices in the context of Chinese business are increasingly considered as important in today’s business environment for several reasons.
Firstly, Chinese business is one of most powerful economic forces in the world today (Redding 1993; Yeung 1999). Most of the major economic engines of Asian countries are Chinese business organisations. Secondly, the rise of globalisation has promoted this region to be one of the most important and exciting ones in which to do business, so an understanding of Chinese business operations, including the MCS, has become vital for those interested in doing business there.

The paper is divided as follows. The core concepts of MCS and the roles of culture in shaping MCS are discussed first. Then, previous studies about MCS in Chinese overseas companies are examined. It is followed by a brief review of Chinese culture, the social environment of Chinese overseas and Chinese family business. Finally, some key issues for future agendas of the theoretical development of MCS in the context of Chinese overseas companies are discussed.

**BASIC CONCEPTS OF MCS**

**MCS and Organisational Effectiveness**

This section discusses the basic concepts of management control system (MCS) including its fundamental meaning, the forms of control, and the embeddedness of the system in its environment. Since the focus of the study is on the socio-cultural aspects of MCS, special attention is paid to the influence of cultural values on the system.

MCS has been defined in many ways both in its narrow and broader sense. MCS. In its narrow sense, it means a cybernetic system to influence organisational members to implement the organisation’s strategies by translating them into measurable/quantitative terms (Anthony and Govindarajan 2001; Maciariello 1984), to keep on track for achieving their objectives (Kaplan and Atkinson 1998), and to aid and coordinate the process of making decisions and guide employee behaviour (Horngren et al. 2000). However, in its broad sense, MCS is the entire array of devices used to ensure that the behaviours and decisions of organisational members are consistent with organisational objectives including administrative and social/cultural mechanisms, e.g. performance measurement, reward and punishment systems, charismatic leadership and the fostering of a clan-like atmosphere (Macintosh 1994; Merchant 1998; Flamholtz et al 1985). MCS is more than a cybernetic mechanism since it focuses not only upon measured performance but also on encouraging, enabling, persuading or even forcing employees to act in the organisation’s best interests. According to Merchant (1998,2), “some controls are proactive rather than reactive. Proactive means the controls are designed to prevent control problems before the organisation suffers any adverse effects on performance.” Studying MCS by addressing its broad sense is important in order to grasp the holistic understanding of how the system actually works in practice and build a comprehensive theoretical framework for it.
MCS is also seen as being embedded in its environment. The design and use of MCS, in this sense, reflect what is believed to be an important element in managing internal and external interdependencies (Euske and Riccaboni 1999). Internal interdependencies include the relationship of management with workers, and the division of labour among different levels of management, whereas external interdependencies include the separation of ownership and control, and relationships with the state, society, customers, and suppliers. This implies that the system is inevitably inseparable from, incorporates and reflects the historical and current dynamics of the social, cultural, and political as well as economic dimensions of its surrounding environment.

Hence, some major issues in MCS are the achievement of objectives, organising people and the inseparability of economic, social, cultural and political environments in characterising it. Such issues obviously encompass both technical and social aspects of MCS, i.e. the technology itself, the people using it, the broader environmental context, and the interdependence among them. Hence, MCS in this paper is defined as a system within social, cultural, political, and economic environments used by management to ensure that employees achieve organisational objectives.

Organisational effectiveness is the ability of an organisation to achieve its objectives. Given the importance of the role of organisational members for the achievement of organisational objectives, Merchant (1998) identifies three generic control problems that may impede it: lack of direction, motivational problems, and personal limitations. Lack of direction is a condition where people perform poorly simply because they do not know what an organisation wants from them. Motivational problems may happen when the objectives of individuals and the organisation do not coincide. This causes employees to act in their own personal interest at the expense of that of the organisation. Personal limitations are a condition when people who know what is expected of them and are highly motivated to perform well are simply unable to do so because of certain personal limitations. The task of MCS, hence, is to help solve the problems so that organisational effectiveness can be increased.

**Control Variability**

Control may take various forms in practice. Control variability has been discussed mainly by Ouchi (1980) and Merchant (1998). Ouchi (1979, 1980) introduces so-called bureaucratic and clan controls. Bureaucratic control uses rules, targets, performance measurement and a formal reward and punishment system. In contrast, clan control relies upon employees’ social inclination to do the best for the organisation. Merchant (1998) proposes three forms of control: result, action, and personnel/cultural controls. Result control focuses upon the final outputs of individuals/responsibility centres, action control upon actions performed by individuals and personnel/cultural controls upon individuals’ shared values and norms. Result and action controls can be seen as the elaboration of bureaucratic forms of control whereas personnel/cultural controls are similar to what is described as clan control. Ouchi’s and Merchant’s categorisations can be used
interchangeably. However, Merchant’s categorisation provides more elaboration of the variability.

Result Control

Result control focuses upon the result/output of individuals/responsibility centres. A responsibility centre is “...an organisation unit headed by a manager who is responsible for its activities” (Anthony and Govindarajan 2001, 53). There are four categories of such centres: revenue, expense, profit and investment centres (pp 53-54). A revenue centre is responsible for the amount of revenue/monetary output generated. An expense centre is responsible for monetary inputs (i.e. cost). A profit centre is responsible for both monetary inputs and outputs. An investment centre is responsible for monetary inputs and outputs and investments in itself.

The philosophy of this control is pay for performance. It involves defining dimensions on which performance is desired (e.g. profitability and customer satisfaction), setting performance targets on the dimensions, measuring employees’ actual performance, and providing rewards or punishments to encourage behaviours that will lead to the desired results (p. 72). This kind of control is cybernetic in nature.

Performance dimensions need to be defined correctly and in accordance with the amount of authority of the employees/centres. The dimensions shape the views of employees of what is considered as important. If the dimensions are not congruent with the organisational objectives, result control will encourage employees to perform activities that do not lead to the achievement of the objectives.

In setting performance targets, participation is important since the interests of the organisation may be different from those of the individual. It may involve a mechanism for political bargaining and negotiation “…to keep each individual and interest group satisfied enough to continue to provide their necessary support towards ensuring that appropriate activities are carried out” (Otley and Berry 1980, p. 238). Management accounting concepts such as ROI, residual income, standard cost, sales and profit targets, and productivity measures are the main tools for setting targets. Targets should be specified for every aspect of the above performance dimensions since they are the yardsticks whereby the MCS can continuously monitor and measure the progress of the achievement.

Measurement is the assignment of numbers to objects. The objects are the performance of individuals or groups/centres in a certain time period compared with their targets. The comparison is then delivered as feedback to the individuals/centres for correction, and to superiors for goal or standard adjustment and reward administration (Flamholtz et al. 1985). The explicit linkage of performance measures to rewards can indicate to individuals what results are important and most affect their evaluation (Merchant 1998).

Rewards and punishments are the final important element of result control. Rewards can be in various forms employees value, such as a salary increase,
bonus, promotions, job security, recognition and so on. Punishments are things employees dislike such as demotions, failure to get rewards earned by peers, loss of job and so on. Employees’ motivation can be promoted by linking promises of rewards to their result measures.

In terms of the three control problems, result control can address lack of direction and motivational problems to some extent (p. 72). It may induce employees to maximise their chances of producing the results desired by an organisation and also informs them of what is expected from them. However, it does not directly address their personal limitations since it does not inform them how desired results can be produced.

Three conditions must apply for result control to be used effectively. Firstly, managers must know what results are desired in the areas being controlled. This means that they can identify the desired result dimensions (e.g. profitability, product quality, etc) and how to assign numbers to the dimensions as targets. Secondly, the individuals being controlled must have a significant influence on results in the areas being controlled. In this sense, they are able to affect the results in a material way in a given time span. Thirdly, managers must be able to measure the results effectively. Hence, the major factors determining the effectiveness of result control are knowledge of performance dimensions, the controllability of results and the measurability of output.

**Action Control**

Action control is intended to ensure that (ibid, p.27) “...employees perform (or do not) perform certain actions known to be beneficial (or harmful) to the organization”. The focus of this kind of control is on the actions taken by the operational subsystem/employees. There are four basic forms of the control: behavioural constraints, preaction reviews, action accountability and redundancy.

Behavioural constraints are the negative form of action control that makes it difficult for individuals to perform undesired actions (e.g. segregation of duties for internal control). This form of control can address motivational problems. Individuals who want to do undesirable things can be prevented from doing them.

Preadction reviews involve scrutiny of the action plans of the individuals being controlled (e.g. proposed budget reviews). They can address the three generic control problems. Preadction reviews address lack of direction since they often involve communications from managers to individuals. They can help alleviate motivational problems since the threat of a review prompts extra care in the preparation of an expenditure proposal. Finally, they prevent the occurrence of mistakes or other harmful actions related to personal limitations.

Action accountability involves holding employees accountable for the actions they take. This involves defining what actions are acceptable/unacceptable, communicating those definitions to employees (in writing or verbally), observing/tracking what happens (direct observation either continuously or
periodically), and rewarding/punishing actions. It helps to provide direction and to alleviate personal limitations arising from inadequate skills or experience and to promote motivation.

Redundancy involves assigning more people or other resources to a task that is theoretically necessary. This can be useful if there is doubt about whether the persons assigned to a task are motivated and capable of doing so. Hence, it helps solve motivational problems and personal limitations but not lack of direction.

Two conditions must apply for action control to be used effectively. Firstly, managers must know what actions are desirable and undesirable. This knowledge is sometimes difficult to obtain. Task uncertainty matters here. In highly complex and uncertain task environments, such as a research department or among top-level managers, the definition of desired/undesired actions cannot be precise. Consequently, action control may not be suitable in that case. Secondly, managers must be able to ensure that the desirable actions occur or that the undesirable actions do not occur. The effectiveness of the control depends upon the physical or administrative devices the organisation has in place to ensure that desired/undesired actions are taken/not taken. Ouchi (1979) states that, in a bureaucratic control mechanism, close personal surveillance and direction of subordinates by managers are important for the effectiveness of the system. Thus, the most important factors that determine the effectiveness of action control are task uncertainty, the availability of supporting physical and administrative devices (e.g. security system, surveillance mechanism, and administrative procedures) and the legitimisation of managers' authority based upon a rational/legal form.

**Personnel/Cultural Controls**

Personnel/cultural controls (or clan control) focus upon the types of people employed and their shared norms and values. Personnel control is control based upon employees' natural tendencies to control themselves (self-control) (Merchant 1998, 121). This can be seen as self-control. Proper selection and placement of employees, training, and job design and the provision of necessary resources are among the major methods of creating personnel control.

Cultural control is designed to encourage mutual monitoring, a powerful social pressure exerted by a group on individuals within it who deviate from its norms and values (p. 123). This control is the creation and/or utilisation of a favourable organisational culture to promote the willingness of the employees to do their best for the company. An organisational culture can promote either good behaviour (if the employees' values are productive) or harmful behaviour (if they are unproductive). Hence, when the employees' values are unproductive, an organisation needs to apply methods to shape/change them. Among the major methods to promote cultural control are codes of conduct, group-based rewards, physical and social arrangements (e.g. office plans, architecture, dress codes, and vocabulary) and the tone at the top (ibid, p. 124).
Group-based rewards are actually both result and cultural controls. The reason why Merchant categorises them as cultural control is because of the expected impacts on mutual monitoring among the employees. According to him, the link between individual efforts and the results being rewarded is weak and hence, "...motivation to achieve the rewards is not among primary forces effected by group rewards; communication of expectations and mutual monitoring (social control) are" (ibid, p. 128).

Cultural control is potentially capable of addressing all of the three control problems (ibid, p. 131). However, its effectiveness varies significantly across individuals, groups and societies. Merchant states that it works effectively in a collectivist society where there are strong emotional ties among individuals. The people who are being controlled may not think of the shared values/norms as being part of the organisational control system. Acceptable employees' behaviour can be prescribed in terms of "the way we do things around here". Ouchi (1979) mentions that clan control depends upon social/cultural agreement among individuals on a broad range of values and beliefs constituting proper behaviour, and a high level of commitment of each of them to those socially prescribed behaviours. Hence, the effectiveness of this control depends upon the methods to create it, the existence of collectivist social/cultural agreement in society, and high commitment among individuals to the agreement.

According to Merchant (p. 121), "action and result controls usually cannot be made perfect, or are prohibitively expensive to make perfect." The technical prerequisites of the two controls may not be completely present so that relying solely upon the two bureaucratic controls may not be possible. Furthermore, there are always holes/gaps that can be used to break the two controls. For example, action control can be broken when there is collusion among the individuals involved in the process. Result control can also be broken by sacrificing long-term interests for the sake of short-term results. Hence, personnel/cultural controls can help fill in the gaps left. The implementation of personnel/cultural control is seen as incurring lower cost and producing fewer harmful side effects than the other controls.

It can be concluded that every form of control needs certain conditions/prerequisites to operate effectively. The prerequisites depend on the system's environment/context. This chapter now proceeds to discuss the embeddedness of MCS in its environment/context.

CONTROL CONTEXT

Cultural Legitimation

A control context consists of various environmental factors such as customer demands, level of professionalism/education, social, political, and legal systems, the availability of resources, culture and so on (Flamholtz et al. 1985; Maurice 1979; Lachman et al. 1994). It may either facilitate or inhibit the effectiveness of
the control forms. The effectiveness of MCS may be inhibited if it is incompatible with the norms, values, management philosophy or practices in the larger context (Flaholtz et al. 1985, 45). Those factors all need to be considered in examining MCS. However, given the purpose of this study, this section focuses on cultural values.

Culture can be defined as "a shared way of life that includes values, beliefs and norms transmitted within a particular society from generation to generation" (Scupin 1998, 36). Values refer to the standards/assumptions widely shared within society by reference to which its members define what is good or bad, holy or unholy, beautiful or ugly. In this sense, they are seen as the most fundamental and abstract element of culture. Cultural values provide "...the bases for choice, by a social group, of particular ends and of particular means by which these ends are to be accomplished" (Lachman et al. 1994, 41). Lachman et al. state that there are two kinds of cultural values: core and peripheral values. Core values tend to be more stable and resistant to change. Hence, their effects are more enduring. Peripheral values are less stable or enduring because members of society may manifest different levels of attachment to them, or even disregard them. Individual behaviour is regulated by the values inculcated through early or late socialization processes in one's life. They determine and provide legitimation for (or sanction) collective and individual preferences for certain states of affairs and modes of conduct over available alternatives.

Cultural legitimation determines organisational effectiveness. Core values have the important role of legitimising an organisation's existence and its modes of functioning, as well as its members' patterns of behaviour. The values of decision makers provide an interpretive scheme of which factors are critical for their organisation and require a response, and which can be ignored (ibid, p. 44). In this sense, the values affect organisational structures and processes (such as differentiation and integration, specialisation, the use of rules and procedures, and the locus of decision making) through their influences on the selectivity of management's perception. However, the employees' previously internalised core values also need to be taken into account since they may not necessarily be congruent with those required by the decision makers/organisation. The incongruence may lead to employees' dissatisfaction, which, in turn, may inhibit the effectiveness of the organisation. Hence, to ensure the attainment of organisational objectives, the decision makers need to minimise the incongruence through selection procedures to recruit individuals who have, at least, some of the required core values, conducting a socialisation process to change the employees' values and/or adopting some of the local values. This is similar to what are described previously as methods for creating personnel/cultural controls. Obviously, value congruence is not something taken for granted. It can be created through various methods to ensure the attainment of organisational objectives.

Other environmental factors may mediate the influences of cultural values. They provide constraints for the implementation of MCS. However, organisational adaptations to the constraints depend on cultural legitimation by the organisational members. According to Lachman et al (1994, 44), "all these effects may vary with
the centrality of the relevant values, because the more central a value (core value), the stronger its social control effects and the lower the tolerance for deviations."

Given the centrality of values in organisation structures and processes, the use of the three forms of control also depend upon cultural legitimisation by the decision makers as well as the employees being controlled. The legitimisation may determine which control forms are effective in specific socio-cultural contexts. This is discussed further in the next section.

Cultural Values and Control Variability

As previously mentioned, cultural values provide legitimisation for certain MCS practices and determine the patterns of behaviour of organisational members. However, the influences of cultural values on MCS are also mediated by other environmental factors, which provide constraints to which MCS needs to adapt. However, this adaptation is bound by the cultural legitimisation by the members.

It has been said that the applicability of result control depends upon knowledge of the performance dimensions, the controllability of results and the measurability of output. The applicability of action control is subject to task uncertainty, the availability of supporting physical and administrative devices (e.g. security system, surveillance mechanism, and administrative procedures), and the existence of a legitimate rational/legal authority. Such factors provide technical constraints on when the two controls can be used. This does not mean that culture does not matter here. As previously mentioned, cultural values provide legitimisation of particular means by which organisational objectives are to be accomplished. Hence, the use of particular forms of action and result controls is possible whenever the technical prerequisites are present and are not in conflict with the core values of the decision makers and other organisational members.

The applicability of personnel/cultural controls is subject to the appropriateness of the methods for creating the controls and the existence of a collectivist social/cultural agreement to which individuals are highly committed. This is similar to the congruence between management's and employees' values, as previously mentioned. However, the congruence is not necessarily something taken-for-granted. It may need to be created by using various methods ranging from selection and recruitment to socialisation methods (e.g. codes of conduct, physical and social arrangements, tone at the top, and so on), and even adopting local values. Where a collectivist social/cultural agreement has been present in society, this control can be created more easily. As mentioned previously, personnel/cultural controls can be the most dominant control form, especially in a collectivist society. The surrounding community's traditions, norms, beliefs, values, ideologies, attitudes and ways of behaving may spread to the organisational culture as a taken-for-granted control form. Hence, it can be assumed that the stronger the collective culture in a society, the higher is the cultural legitimisation for this kind of control, and hence, the less are the efforts needed to create and implement personnel/cultural controls. Ouchi (1980) mentions that, in Japanese companies, it is not necessary to measure performance
to control their employees since the employees' natural inclination is to do what is best for the organisation. Instead, the companies rely upon hiring inexperienced workers and socialising them to accept the company's goals as their own. Merchant (1998) also mentions that, in South East Asian countries, social and moral pressures to avoid anything that would disgrace oneself and one's family are stronger than legal contracts. Finally, Redding (1993) mentions that the use of informal control based upon a paternalistic organisational culture and the personal involvement of owners in Chinese organisations to control the daily activities of subordinates are common. In this sense, a cultural agreement acts as an opportunity for as well as a constraint on implementation. It represents an opportunity for implementation by reducing the need for the use of more costly bureaucratic control tools such as rules, procedures, and so on. It is a constraint in the sense that the use of too many bureaucratic control mechanisms may even inhibit the effectiveness of the organisation due to the absence of cultural legitimisation by its members.

The three control forms have broadened the theoretical framework of MCS. It seems that the object under study (a Chinese Indonesian company) may rely not only upon result and action controls, but also significantly on personnel/cultural controls for socio-cultural reasons. The adoption of this framework may enable the researcher to gain empirical knowledge of how the three controls are intertwined in forming MCS in order to achieve organisational objectives. Therefore, the control categorisation is used as the main framework of MCS in this study.

MCS IN CHINESE OVERSEAS COMPANIES

Hofstedian Methodologies

Studies of MCS in Chinese organisations have been informed almost exclusively by Hofstede's pre-defined value dimensional conception of national culture. Hofstede (1980) conducted a questionnaire-based study of cross-national cultural differences in employee attitudes in the 40 world-wide subsidiaries of a multinational company. Culture is defined as collective programming of the mind that operates at the national level (for groups within society, the term subculture is used) (p.13). It operates in the mind of individuals through the so-called mental programming that is physically determined by states of brain cells. Nevertheless, one cannot directly observes it. Hence, the mental programming is inferred through the person's behaviour, words or deeds, assuming that the programme is stable (p. 14). In order to make it observable and measurable, the mental program is operationalised by four cultural values/dimensions: power distance, individualism, uncertainty avoidance and masculinity. This initial work was then developed by Hofstede in his later studies (a new dimension was added: Confucian dynamism).

Power distance (PD) refers to human inequality within a society. Societies that take the view that inequalities between people should be minimised and hence,
Hierarchies are only needed within society and organisation for administrative convenience are classified as low PD. By contrast, other societies that accept inequality and its institutionalisation in hierarchies, locating people in their 'rightful places', are classified as high PD. Individualism (IDV) describes the degree to which ties between individuals are formed. In a high IDV society, everybody is supposed to look after his or her own self-interest or at most, his/her immediate family. At the other extreme (low IDV), there are some societies in which the ties between individuals are very tight and people are born into collectivities or in-groups. Everybody is supposed to look after the interest of his/her own in-group. Uncertainty avoidance (UA) is related to how a society confronts the uncertainty of the future. Members of a high UA society share a belief that uncertainty is inherent in life and see it as a threat that must be fought by adhering to strict laws and rules, safety and security measures and a belief in absolute truth. Low UA means that life's uncertainty is more easily accepted and each day is taken as it comes. Masculinity (MAS) (versus femininity) refers to the degree to which culture expects men to be assertive, ambitious and competitive in striving for material success and women to care for the non-material quality of life, children and the weak. A feminine culture defines relatively overlapping social roles for the sexes, in which neither men nor women need to be ambitious or competitive. Confucian dynamism (CD) refers to an orientation towards the future rather than the present and past. A high CD society reflects a dynamic future-oriented mentality while a low CD one reflects a more static, tradition-oriented mentality.

Countries are then ranked based upon scores for these dimensions. It is assumed that European, Australian, and North American (the so-called Western) societies tend to have higher individualism and masculinity than Chinese societies. In contrast, power distance and uncertainty avoidance tend to be higher in the latter than in the former. The values are said to have intensity (values as desired) and direction (values as desirable) so that questionnaires can be used to empirically observe and verify them. By doing this, cultures can be meaningfully ordered and compared across different countries.

Hofstede's central thesis, as outlined above, is adopted by researchers in the MCS area who regard his dimensions/values of culture as standardised forms of culture relevant to MCS. Their research tests whether these variables exist and, if so, how and to what extent they influence MCS practices in different countries. The studies rely upon positivist research methods (survey questionnaires and experiments). A small number of them also incorporate interviews merely as an additional data source. However, the findings have never been based upon in-depth interviews, direct observation and the personal involvement of researchers in the objects under study.

Based upon the scores for the cultural dimensions, all Chinese companies are assumed to have similar MCS practices, which are different from those of Western companies. The studies of Chinese organisation's MCS suggest the following points:
1. The implementation of accounting performance measures in Chinese organisations (Singapore) tends to result in lower work tension and higher job satisfaction than that in Western organisations (Australia) due to different degrees of the cultural dimension of Individualism (Harrison 1993, Lau et al 1995).

2. MCS in Chinese organisations (Singapore and Hong Kong) tends to have a higher degree of centralisation than in Western organisations (US and Australia) due to different degrees of Individualism and Power Distance (Harrison et al 1994, Binbaum and Wong 1985).

3. MCS in Chinese organisations (Singapore and Hong Kong) tends to place less emphasis upon responsibility centres, have fewer quantitative techniques in planning and control, and have a longer planning time horizon than in Western organisations (US and Australia) due to different degrees of Individualism, Power Distance, and Confucian Dynamism (Harrison et al 1994).

4. MCS in Chinese organisations (Taiwan) tends to place less emphasis on long-term incentives than in Western organisations (US) due to different degrees of Individualism and Confucian Dynamism (Merchant et al 1995).

It seems that the contribution of the studies to the comprehensive understanding of MCS in Chinese organisations is limited. Harrison and McKinnon (1999) and Chenhall (2002) mention that the adoption of the Hofstede methodology in understanding the influences of culture on MCS has produced inconclusive results. In addition, various weaknesses have been observed by the researcher.

Firstly, they tend to focus upon the predefined cultural dimensions/values rather than paying specific attention to the content of cultural values. There is no adequate explanation of what Chinese values are, and why and how it matters in MCS. The complexity of culture has been reduced to individuals' psychological values. Harrison and McKinnon (1999, 492) state that this simplistic view of culture has neglected "...the greater depth, richness and complexity of culture and cultural diversity which those dimensions cannot capture". Obviously, the MCS studies need to involve in-depth investigation of the emic contents of the values, the dynamic processes of the interplay between the values and MCS and the spatial and temporal contexts of the interplay.

Secondly, the studies focus solely upon the influence of culture on bureaucratic control mechanisms. Differences in control context that may lead to control variability tend to be overlooked. As previously discussed, MCS needs to adapt to various environmental factors, since they provide constraints for the system. The role of cultural values here is to provide legitimation of the kind of control form acceptable to organisational members. This may result in various forms of MCS involving the combination of result, action and personnel/cultural controls. It is likely that result and action control are not the dominant forms of control in such organisations due to its cultural legitimation. Hence, the focus of the examination may not touch-the main control mechanism and may consequently produce superficial and fragmented understanding of the MCS in Chinese organisation.
Hence, such studies can only confirm two points. Firstly, Chinese organisations also use bureaucratic control systems (result and action) to some extent. Secondly, culture has some impact on MCS. Yet, the extent of such impact and what the resultant pattern of the MCS are still largely unknown. Despite the above weaknesses of the Hofstede typology of MCS research, the above findings are the best available knowledge about MCS in Chinese organisations so far. The question then is how to eradicate the weaknesses and provide an alternative framework for understanding MCS in Chinese overseas companies. We now turn to other literatures about Chinese business and management practices.

CHINESE CULTURE, SOCIAL ENVIRONMENT AND BUSINESS PRACTICES

Confucianism

This section examines the basic values of Chinese culture. It is believed that the values of Chinese Indonesian businessmen stem, to some extent, from Confucianism. In addition, some implications of the values for general Chinese business practices and MCS are discussed.

Chinese culture consists of Confucianism, Taoism and Buddhism. However, the philosophy of Confucianism is the core of the culture and also influences Chinese people embracing other religions such as Christianity and Catholics. The Chinese look at life as a harmonious totality and tend to have a synthesizing way of thinking (Rin 1975). This views human truth as only partial so that one truth does not exclude its opposite. By contrast, there is a harmony of all truths. Although, generally, Chinese people are quite committed to their cultural heritage, they are concerned with integrating the ancient age with the modern, and Western thought with their Eastern heritage. In this sense, the mind of the Chinese "...seeks to integrate time and place into one-world" (p. 139). This has led to the persistence of some traditional values in their modern life through various ethno-cultural adjustments.

Confucianism is a philosophy concerned with social, moral and governmental problems (Suryadinata 1974). For Confucianism, the world is governed by tao, which means way or moral law. Understanding tao would lead to the realisation of social order and harmony. Tao consists of morally enriched prescriptions of relationships (Redding 1993). According to Suryadinata (1974), tao is based upon human heartedness (jen) consisting of chung (sincerity and honesty) and shu (altruism). The general meaning of jen is "to love men", which is similar to the Christianity teaching of "to love others as oneself". Jen also means justice and equality, which are parallel with the secular concept of law and order; In the Confucian perspective, we are not fully human simply by receiving life in a human form. Instead, our humanity depends upon community, i.e. human reciprocity. Chung can be interpreted as to do to others as you wish to be done to yourself, whereas shu means do not do to others what you do not wish to be done to yourself.
Confucianism can also be divided into two interrelated concepts: vertical and horizontal order. The concept of vertical order represents the relationships between those from higher and lower levels of the social hierarchy, such as parents and children, family members (e.g., husband and wife, parents and children, and elder and younger brothers), masters and servants, rulers and people, and so on (Suryadinata 1974). Every social position contains ascriptive responsibilities and duties. Hence, individuals bearing these names have ascriptive roles that must be fulfilled accordingly. This value is known as li. The most important and fundamental sub-value regarding social relationships is filial piety (hsiao). Hsiao is the relationship between parents and children. Parents are obliged to educate their children with wisdom and values, and direct them into the right way of life. Parental education provides for children to enter society and carry on their life in the future. On the other hand, children should fulfill their responsibilities to their parents by taking care of and respecting them, and protecting their dignity. For example, during the lifetime of their parents, the children must conform to their wishes and give them not only physical care and nourishment, but also nourish their wills. If they fall into error, children should lead them back to what is right. After the death of the parents, children should offer sacrifices to them and think about them. Furthermore, they can express hsiao by fulfilling their responsibilities in society according to their position such as respecting, obeying and being loyal to their country/rulers and superiors/masters; respecting more senior family members; being wise rulers; and taking care of their subordinates. Fulfilling these responsibilities is crucial to protecting the dignity of the parents. Failure to do so will embarrass not only the children but also their parents.

The horizontal order refers to the relationship between people from the same hierarchy. The self is seen as being embedded in and inextricable from relationships in a society (Redding 1993). People need this placement and, to function smoothly, society needs to be able to place people. In this sense, Confucianism is different from the Western view of individualism. The person 'invests' in a group, and the investment, which he cannot afford to lose, becomes his 'face'. Although face is a universal concept and every society to some extent values this concept, the importance of it for Chinese society is much greater. This results in limited and bounded trust among particular groups. People trust their families, friends and acquaintances to the degree that mutual dependence has been established and face invested in them. They make no assumptions about the goodwill of anybody else.

The limited and bounded trust then leads to the formation of an ethnic based trust network called guanxi. Guanxi serves as a mechanism to protect the families' resources. The creation of wealth in a family involves buying and selling, exchanging information, borrowing money, seeking advice, and so on. This cannot be managed in isolation and the network will ensure that the objective can be achieved. The trust is limited to the partners in the bond which works on the basis of personal obligations, the maintenance of reputation and face, and not on the assumption that a society's shared faith makes all who share it equally
righteous regardless of whether they know them or not. Consequently, the trust-based networks are strong. The Chinese find it difficult to come to terms with neutral, objective relationships, where they cannot read trustworthiness, and tend instead to work at creating trust beforehand. This may be done through the use of intermediary connections known to both, or by assessing the other's position in a reputable clan.

The tie between oneself and one's family is regarded as the closest of all relationships, and hence, if one is unable to fulfil one's responsibility to one's family, one will be less able to do so to outsiders. This philosophy gives rise to a strong family collectivism among the Chinese families (Redding 1993). Family is seen as the basic survival unit and the very foundation of society and the nation. In this sense, society and the nation are seen as a super family, an extension of smaller family units. If the family is stable, then the broader society and nation will also be stable. Furthermore, as the most fundamental unit in society, the family should be largely self-sufficient and the members should have the obligation to protect and enhance the family resources on which they in turn are highly dependent. The welfare of individuals is seen as the family's responsibility rather than the state's.

Hence, Chinese society can be seen as consisting of concentric circles (Fei 1939, quoted in Redding 1993, 58). At the core is the family. Surrounding this is the lineage group, or extension of the family, which serves to provide more general support than the family itself, and the source of a more general feeling of identity commonly associated with place and with ancestors/kinship (e.g. identified by common surname). In this sense, a person is perceived to exist only in terms of his immediate family network and, by extension, society is seen as comprising not individuals but families, around which life is formed. All of the circles are built upon the trust among themselves. Outside these circles is society at large with which polite but guarded and somewhat distant relations are maintained. The individuals in such circles carry a subconscious sense of whom to trust, with whom to co-operate, and for what ultimate purposes.

Besides the above fundamental values, there are also some other major interrelated values that can be seen as derivations of the fundamental values, such as frugality, asceticism, diligence and prudence (Xu 2000; Cleary 1992). Frugality (qin jian) emphasises the importance of saving, and never wasting resources (money, food, etc.); and displaying wealth modestly/not extravagantly. According to Confucius (Cleary 1992, 69), “to be extravagant is presumptuous; to be frugal is stiffness. It is better to be stiff than presumptuous.” Asceticism (ke ji) means that a man should attempt to limit and control his desires for wealth, power and women in order to fulfil his responsibilities in society. Diligence (qin feng) emphasises the importance of a hard-working character and includes not only performing the job but also seeking knowledge and wisdom. Prudence (jing shen) emphasises that before doing something, people should be careful and consider its consequences thoroughly. According to Confucius (ibid, p.25), “people who do not think far enough ahead inevitable have worries near at hand”. The need to fulfil individual responsibility (li) underlies all of the values above. According to
Confucius (ibid, p. 69), “cultured people do not seek to eat to their full or to live in comfort. They are keen in their work and careful about their words. They associate with those who have the Way, and are rightly guided by them. This can be called studiousness.”

Confucian Values and the Social Context of Chinese Overseas

Confucianism penetrates overseas Chinese society via a combination of formal school education (e.g. for countries like Singapore, Taiwan and Hong Kong that adopt Confucian values in their education system) and the family teaching of overseas Chinese throughout the world (Redding 1993). Parents are constantly instilling notions of discipline, order, and above all, identity within the family.

The consideration of the core Confucian values means neither that this philosophy has been applied by overseas Chinese as a stable and fixed way of life passed on to generations for hundreds of years, nor that Confucianism alone can explain all the behaviours of Chinese businessman. The harsh historical experiences of the Chinese have also in part shaped the development of Confucianism. Chinese migration to other countries took place several times for various political reasons, and due to war and famine (Yeung 1999). For example, during the last years of the Tang dynasty at the end of the 9th century, around the 13th and 14th centuries when the Sung dynasty was destroyed by the Yuan dynasty, and in the 18th and 19th century at the end of the Ming dynasty. In the new places, the Chinese also received a resentful and hostile response, e.g. repression from local authorities and native people leading to feelings of insecurity. All of these are related to the concept of ethnicity.

Ethnicity is about social classifications emerging within relationships in which people distinguish themselves from others (Fenton 1999). The classification gives rise to so-called ethnic groups where people possessing certain similar social identities are grouped together. According to Weber (1997, 18), an ethnic group is “...a group of people who entertain subjective belief in their common descent because of similarities of physical type or of customs or both, or because of the shared memories of colonisation and migration.” In this sense, the boundaries of ethnic groups may be both symbolic (language, ancestry, religion, kinship, or more generally culture) and material, i.e. constituted within structures of power and wealth in a broader society (Fenton 1999). Ethnicity functions as a dimension in social actions and organisations in various fields. Social, political and economic relations among groups of people may be characterised by this dimension, and this can be activated or suppressed in a wide variety of contexts. Ethnicity is also closely related to stereotyping, which refers to the creation and consistent application of standardised notions/identities of a group (Eriksen 1993). Stereotyping is important in developing the relationships among different ethnic groups. For example, when two individuals meet for the first time, the first information they will gather is their ethnic membership. This will help them to know roughly how to behave towards each other, since there may be standardised relationships between groups (e.g. friendly, hostile and joking relationships). Stereotypes may justify privileges and differences in access to a society’s
resources. Group membership and loyalties are confirmed and strengthened through stereotyping articulating the conflict and competition between such groups.

It has been noted that Chinese business practices, especially in South East Asian countries, are closely related to their ethnicity involving the dynamics of relationships between states and Chinese businessmen, and the resentment from local communities towards the Chinese (Redding 1993; Yeung 1999). The local environments of Chinese businessmen in such countries are said to be hostile and malign and need to be co-opted where possible (Redding and Whitley 1990). As a result, the practices of Confucianism as the foundation of Chinese culture have been reworked and adapted to such environments (Ong 1999). Hence, this paper suggests that ethnicity may create constraints in the internal and external interdependencies of the company, such as tensions between Chinese employers and employees from different ethnic backgrounds, that need to be responded to by the system. The ethnicity reinforces and shapes some of the Confucian values for generations as well as their ethnicity. This may include the strong guanxi network as a defensive form of solidarity and co-operativeness, frugality, diligence, prudence and reliance on self/family for welfare.

Confucianism and Chinese Family Business

The strong commitment to Confucian values has been perceived as leading to a typical Chinese business style called patrimonialism (Redding 1993). Patrimonialism refers to the assumption that a company is family property and, hence, managing it is regarded as the same as regulating a family. This view is shared both by owners and employees. According to Redding (p. 155), there are three main features of patrimonialism: the idea that power cannot really exist unless it is connected to ownership, a distinct style of autocratic leadership and personalistic relationship.

The inseparability of ownership and management within Chinese companies is closely related to the value of the family as a basic survival unit. Power is derived from ownership and, in turn, is vested in the family rather than the individual. Furthermore, Chinese organisations duplicate family structure; the head of the household is the head of the organisation, family members are the core of the employees, and sons are the ones who will inherit the firm (Hamilton and Biggart 1988). If the firm prospers, the family will reinvest the profit in branch establishments or more likely in an unrelated but commercially promising business venture. Different family members run different enterprises and, at the death of the head of the family, assets are divided by allocating separate enterprises to the surviving sons. The Chinese inheritance system is based upon patrilineage and equal inheritance among all sons. The eldest son has seniority but no privilege in regard to the family's property. In this way, the assets of a Chinese family are considered divisible, control of them is always considered as family business and decisions should be made in light of long term family interests.
Because the management themselves are the owners, they work very much in their own interest. The values of frugality, diligence, prudence and asceticism are implemented within the organisation in the form of their intense responsibility, dedication and management commitment. It is common for an owner to bring his young son/daughter to visit the factory or office room. The young son/daughter can absorb much information, a lot of it confidential, from the visit or from family mealtome conversations. He/she will behave with great respect and deference towards the paterfamilias, the sense of family continuity, and the need to perpetuate and enhance the family name or reputation. Such people will be influenced to work hard by both external obligations and internal motivation, and be prepared to put in long hours, to worry about business problems and efficiency issues, to think creatively about opportunities and to exert pressure on others to perform.

The autocratic style of leadership comes from the value of li, taking the view that employers have the responsibility for taking care of the welfare of the employees, fitting people into the right slots, the stewardship of resources, helping the inefficient, providing security for the older ones and being understanding. On the other hand, the employees should have strong, unquestioning obedience to their employers and showing the character of diligence in performing their jobs. The concept of human heartedness/justice/equality (jen) is also reflected here. For Chinese businessmen, looking after the employees will eventually lead to looking after themselves. Consequently, vertical ties of obligation that have an emotional content are an important component of the organisational design (Redding and Whitley 1990). The upward flow of loyalty and conformity is exchanged for the downward flow of protection, and this serves to stabilise the structure and damp down the resentment of subordination, which is otherwise institutionalised in industrial relations structures (e.g. trade unions). Strong commitment to the value of li may also result in efficiency in exercising control. More formal, bureaucratic internal control systems may be redundant and their costs are considered as unjustifiable. The employees will tend to do as they are told and not answer back, and they do not need to be controlled to the same extent as in many other cultures.

The last feature of patrimonialism is personalistic relationships. Personal relationships and feelings about other people (personal trust) are likely to come before more objectively defined concerns such as organisational efficiencies or the neutral assessment of abilities. In other words, who you know is more important than, or at least as important as, what you know (Redding 1993). The value of limited and bounded trust is at play here. Friendship is an especially important item of currency. In this sense, it is different from the Western understanding of nepotism. By using family members/trustworthy persons to run the critical functions of the organisation, organisational efficiency in terms of identification with goals, motivation, and confidentiality of information can be greatly enhanced (Low 1995).

Patrimonialism profoundly shapes the organisational culture and become a significant consideration in making various decisions, such as firing or not firing someone, reward determination, and organisational discipline and control. The
Confucian vertical order philosophy has produced several organisational strengths: identity with the goals of the boss and organisation, compliance by subordinates via diligence in work and perseverance, and organisational stability. The fact that the overseas Chinese society has a powerful norm in its vertical order makes it relatively easy for an organisation to establish obedience, discipline and stable hierarchies. Those are already present and do not need to be injected. In the overseas Chinese case, there is a transparency and common understanding over motives between employers and employees. The prime motive is the generation of family wealth and whether one is an owner looking for a favourable product price or a worker looking for a new year bonus, the motive is common. Therefore, they tend to be similar in terms of their values, behaviour, needs and aspirations. There is no psychological division between Chinese owners/management and Chinese workers that is often found in Western companies.

Patrimonialism may lead to a high degree of adaptiveness (Redding 1993). The simple decision making structures may result in speed of response and a higher capability to operationalise the owners' personal vision. These, in turn, will lead to strong strategic flexibility, e.g. they can switch products quickly, and the chief executive can act decisively and in a timely way. Another related factor connected with these features is the common tendency to avoid being committed by technology to one product market. Hence, switching costs are manageable where the conditions force this to occur.

According to Redding, this patrimonialism may lead to some possible weaknesses in Chinese organisations. It may lead to nepotism and cliques/factions within the organisation. Nobody outside the owning group can generate truly legitimate authority. This has become the handicap of middle and senior management made up of competent professionals. The owner can intervene in the work of the professionals, and the boundary between responsible involvement and meddling may become blurred. The middle and lower level of management are also likely to replicate on a smaller scale the paternalism and personalism in which they are embedded. Favoritism is likely to be widespread and cliques/factions may be formed. If the groupings become competitive, then horizontal co-operation within the company may be destroyed and the organisational needs may be given lower priority than the clique’s interests. This situation, obviously, may not be conducive to talented employees who want to pursue their careers. Furthermore, the view that the company belongs to a family may result in unnecessary confidentiality. Ownership of the company’s problems and their solutions cannot easily be transferred outside family membership as information about problems is considered secret and closely guarded. Hence, solutions are also less likely to be optimal.

The reliance upon personalistic relationships is also a source of weakness. The lack of more objective performance measures causes the employees to receive little feedback, which directly influences their own role performance. Instead, there is a need for them to please the boss and try to move in the direction they think he is moving in, even though he may adjust his position from time to time.
Consequently, good performers can become demotivated as they find that they are treated the same as less dedicated or less capable colleagues. The system is not able to discriminate between the good and the bad since it is not open and objective enough. Maintaining a good position requires constant interpersonal work to keep the boss aware of one's loyalty, but not of one's real performance compared to others. Consequently, employees tend to protect their positions against criticism and to continue doing things which are not risky. In this sense, innovations and initiatives from employees are difficult to develop and make flourish.

Finally, all the above weaknesses of Chinese family companies may inhibit their capacity to grow and become large scale organisation, since this inevitably needs a more decentralised delegation of authority, which is opposed to the idea of family business. This is related to the question of how far a centralised control and decision-making process can be exercised effectively given the growth process of an organisation. Moreover, there is a tendency for the talented employees not to subject themselves permanently to their companies, and, once they are prepared in terms of financial resources and managerial skills, they will leave their employers to start their own business (Tam 1990). This will perpetuate the tendency of the owners to centralise their control and decision making processes since they want to protect the companies' internal critical information.

**Inter-organisational Cooperation**

The practices of Chinese business firms involved in international business activities have evolved and adjusted themselves to the new environment of globalisation. Nevertheless, this does not mean that Confucian values have been abandoned. Instead, they have been modified and used to obtain competitive advantages for the firms and to ensure their viability. Family ownership and management are used to exercise strict control and intra-group co-ordination among foreign affiliates (Yeung 1999). Guanxi plays an important role here. The network may serve as a source of a variety of vital business information such as business partners, credit sources, trustable employees and so on. This acts as the basis for reducing the uncertainty in economic transactions. For the Chinese, competition and guanxi organisation go hand-in-hand making it difficult for other companies outside the network to compete with them.

Personal trust and the maintenance of reputation and face are important to get access to the network. Guanxi works effectively in environment in which the overseas Chinese are greatly concerned with survival and family welfare. The network helps them to be independent and avoid as much as possible exposure to official/state control and exactions. It may include international links as well, covering overseas Chinese in Southeast Asia, Taiwan, Hong Kong, and the general Pacific rim (McVey 1992). The networks help them to mobilise and secure their capital. Any state that wants to erode their position will have to face the consequences of a flight of Chinese capital.
The application of guanxi can produce low transaction costs in economic exchanges and a relatively coherent socio-economic group. The practices have been invaluable, acting as an immediate gate opener and a defensive protection against discrimination in host countries (Low 1995; Yeung 1999). Furthermore, the ability to trace some commonalities like the same dialect group or village of origin is a bonus. Thus, knowledge of cultural beliefs and values, speaking the language and conforming to business practices clearly forge links more speedily and effectively. Many transactions, which in other societies require contracts, lawyers, guarantees, investigations, and delays, are dealt with reliably and quickly among the overseas Chinese by telephone, handshake, or over a cup of tea. This does not mean that legal properties are entirely missing but they are not prerequisites to agreement and, for the majority of transactions, they can be ignored. Greater emphasis has been put upon the reliability of the network and the trust among the parties involved.

IMPLICATION FOR THEORETICAL DEVELOPMENT OF MCS

The above business practices have implications for MCS. As previously mentioned, the Chinese patrimonial organisational culture has a significant impact when making various decisions, such as firing or not firing someone, reward determination and organisational discipline and control. The fundamental cultural justification for this is the values of li and hsiao (respecting vertical order). This has served as a powerful norm for both employers and employees, especially if both of them are of Chinese descent. Furthermore, the prevalence of guanxi may also reinforce such norms. Any employee who does not show a proper attitude to his employer will be known by other companies in the guanxi. As a result, it will be difficult for him to find a job in another company, since he may not be able to get a good recommendation from his former employer. This may serve as additional pressure to behave appropriately according to his social responsibility.

Hence, it is relatively easy for Chinese organisations to establish obedience, discipline and stable hierarchies. They are already present and do not need to be injected. In such an environment, the use of personnel/cultural control can be very significant and even more dominant than bureaucratic forms of control such as result and action controls. In other words, personnel/cultural control is culturally legitimate in Chinese organisations and, consequently only a little effort is required for it to become established therein.

This paper proposes that alternative framework for developing studies of Chinese overseas MCS needs to pay attention to the emic content of Chinese Indonesian cultural values and of the values of the other organisational members (non-Chinese members). The acculturation of Chinese values and other values may happen and the result is the combination of those values in influencing the practices of MCS in the companies. In fact, such an acculturation can be used as a strategy to suppress the ethnicity dimension and increase organisational cohesiveness and effectiveness. In addition, the theoretical framework needs to include the roles of guanxi in Chinese overseas companies. Specific attention to
the guanxi and how it influences the MCS may be crucial here, since the network may be a defensive mechanism to cope with their ethnicity.

CONCLUSION

This paper has discussed the meaning/definition of MCS, control variability, how culture influences MCS, and previous studies of MCS in the context of Chinese organisations. One central point in the discussion of MCs is control variability, which consists of three different control forms: result, action and personnel/cultural controls. Result control is the one that is largely known as a cybernetic control mechanism focusing upon the final result of individuals/groups. Action control focuses upon the actions taken by individuals. Personal/cultural control (also known as self-control and clan control) focuses upon the types, values and norms of the individuals that enable them to do the best for their organisation. 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 organisations given their socio-cultural environment.

Unfortunately, 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. There is still no comprehensive theoretical framework that can provide an in-depth understanding of Chinese MCS practices. MCS researchers tend to ignore the importance of examining and understanding the content of Chinese cultural values, and, instead, take the above dimensions for granted as the most valid representation of the culture. As a result, the complexity of the culture and its interplay with MCS practices cannot be captured. Furthermore, the studies tend to focus upon bureaucratic control mechanism and to ignore the existence of personnel/cultural controls that may play an even more significant role in Chinese MCS.

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 organisational members and ethnicity. Chinese culture consists of several main values. Some of these are respecting ascriptive roles (li and hsiao), human heartedness/justice/equality (jen), personal trust and the personal network, the maintenance of reputation and face, the family as the basic survival unit, frugality, diligence, prudence and asceticism. These values together with life experiences, to a varying extent, have influenced the way overseas Chinese do business. The family business system as the common form of overseas Chinese business is different from the family business system in any other society. Other family business systems do not have the Confucian values providing a stable vertical social order, the same paternalistic managerial principles, the trust based networking based upon obligation and reciprocity and the intensity of family identity, which have shaped a special kind of co-operative system and economic efficiency in Chinese family business. In this environment, the use of personnel/cultural control may be completely legitimate and even more dominant.
than result and action control or may even become the core control mechanism. Consequently, the study of MCS in Chinese organisations must include all forms of control.

However, it must be stressed that Confucianism alone does not adequately explain all aspects of the economic forms and practices since other factors including social and political ones also matter. This implies that a general consideration of Chinese business is merely useful to give an initial understanding of this phenomenon. Hence, if one wants to understand overseas Chinese business and management practices, more in-depth examination is needed to reveal the historical process of social and political conditions experienced by the Chinese community in specific countries. In this sense, the practices cannot be separated from the interaction between the ethnic group and local people. Consequently, local values and ethnicity may also characterise MCS practices.
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