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Institutions, agency, culture and control: a case study of a multinational operating company

Kumudu Kapiyangoda, Tharusha Gooneratne,

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Kumudu Kapiyangoda
Department of Management and Organization Studies, Faculty of Management and Finance, University of Colombo, Colombo, Sri Lanka, and
Tharusha Gooneratne
Department of Accounting, Faculty of Management and Finance, University of Colombo, Colombo, Sri Lanka

Abstract

Purpose – This paper aims to explore how management control systems (MCS) of an operating company (Delta Lanka) of a multinational corporation (MNC) is shaped through the interplay between external institutional influences via global prescriptions stemming from the parent company culture and localisation needs as suited to cultural context of the operating company through the agency of practice level actors.

Design/methodology/approach – Theoretically, the paper draws upon institutional theory, more specifically the notions of external institutions and agency of practice level actors, while methodologically, it adopts the single-site case study approach under the qualitative tradition.

Findings – The findings suggest that given the complex setting of being encountered with multiple cultural ramifications, MCS of Delta Lanka encompasses compulsory elements instigated by the parent company, and non-compulsory elements as attuned to the realities of the local culture of the operating company. The authors show how imposed practices in the institutional environment by the parent company (homogeneity) interact with agentic aspects of actors in the operating company giving rise to practice variation (heterogeneity) in the adoption of controls at the local level.

Practical implications – The paper offers insights on how practicing managers in operating companies of MNCs could formulate control systems by striking a balance between multiple cultural considerations (of the parent and operating company). This would be a lesson for managers of other firms (especially MNCs).

Originality/value – By bringing together multitude of cultural dimensions relating to the parent company and operating company into a single study in the area of management control, this paper adds to the burgeoning literature on the interplay between external institutions, agency of actors, culture and MCS. It also contributes to the on-going debate on MCS research taking a post-Hofstede orientation while extending the use of institutional theory in management accounting research in MNCs.

Keywords Culture, Management control systems, Institutions, Agency, Multinational corporations, Operating company

Paper type Case study

1. Introduction

In the contemporary business environment amid waves of globalisation, multinational corporations (MNCs) have become widespread; management control in MNCs has thus become a popular theme in the accounting research agenda. Controlling operations of MNCs raises peculiar issues, as the parent company is situated in one country[1], and the operating companies are located in other countries[2]. World-wide coordination and maintenance of standardised practices through a common platform between the centre and peripheries is

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therefore vital to ensure high-quality products at the local level (Cohen *et al.*, 1993). This has important implications for shaping management control systems (MCS) of such entities. For control systems need to be formulated in light of global corporate strategies of the parent company as well as systems and processes of operating companies (Busco *et al.*, 2007). Within such a context, real-time information processing is important in reducing the distance between geographically dispersed operations (Quattrone and Hopper, 2005). Accordingly, the use of technology, via systems such as enterprise resource planning (ERP) as a medium to homogenise heterogeneous business activities across operating companies in MNCs (Quattrone and Hopper, 2006), MNC's ownership, nationality of its headquarters and the resulting controls (Chang and Taylor, 1999), processes of coordinating a multinational audit (Barrett *et al.*, 2005), management accounting change in a subsidiary (Yazdifar *et al.*, 2008), etc., has captured the interest of prior researchers.

Cultural differences add complexity to management control in MNCs, for they are faced with an array of cultural influences from the parent company as well as the operating company. While the operating companies are significantly influenced by the mechanisms which their parent company require them to adopt (Coates *et al.*, 1992), there is a need to move beyond compliance to global strategy infused by parent company and its culture, by encapsulating day-to-day activities of the operating company and integrating them with its local culture in crafting MCS. Accordingly, extant literature has shown that MNCs could benefit by tailoring their control systems respecting the wide diversity of local cultures (Sordo and Baren,1999), for MCS could become ineffective if not adjusted according to the culture of the operating companies (Lindholm, 2000; Picard and Reis, 2002; Van der Stede, 2003).

Quite apart from the above, there has been a small flood of research which explores the culture/MCS interface. These studies have been dominated by Hofstedian framework, which typically use questionnaires or databases handled quantitatively to survey behaviour and apply cultural indices to isolate the impact of the social environment (Awasthi *et al.*,1998; Gray, 1988; Harrison, 1993; O'Connor, 1995; Okpara, 2014; Sudarwan and Fogarty, 1996). Criticisms have however been raised on using Hofstede's model as a universal approach in accounting research (Baskerville, 2003, 2005; Bhimani, 1999; Harrison and McKinnon, 1999; McSweeney, 2002). For, with the focus on homogeneity (Bhimani, 1999), these studies carry limited ability to explain accounting situations and practices (Harrison and McKinnon, 1999). In wake of such criticisms, there have been calls for alternative studies founded upon novel cultural and organisational settings, which could provide contextual depictions of accounting practices, departing from Hofstede's model (Joannides *et al.*, 2012). This is amidst claims that management accounting cannot be divorced from culture, and the need to incorporate historical, institutional and cultural implications to its realm (Alawattage *et al.*, 2007; Alawattage and Wickramasinghe, 2008; Jayasinghe and Wickramasinghe, 2007). Accordingly, within the broad tenet of culture, a stream of ethnicity-based studies has also emerged (Alawattage and Wickramasinghe, 2009; Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007). Although an understudied area on the part of accounting academics, such post-Hofstedian research could unpack culture, accounting and society (Joannides *et al.*, 2010).

Following such deliberations, our paper is located within the nexus of institutions, agency, culture and control. Capturing the specificities of the unique cultural context within which control systems operate, we draw empirical evidence from an operating company in Sri Lanka (which we call Delta Lanka) of a MNC with a Swiss-based parent company (which we call Delta Global) to unfold how MCS of an operating company of a MNC gets intertwined with multiple cultural ramifications, such as external institutional influences via global directions for compliance, stemming from parent company culture and the localisation needs of the operating company through the agency of organisational actors at the practice level. We especially unfold how practice variation could occur when MCS are developed to satisfy such multiple cultural considerations towards convergence and differentiation, and how subsidiaries of MNCs are constantly faced with tensions between local and global. Surprisingly, there is a paucity of research analysing such dynamics (Yazdifar, 2008), and grasping the richness of culture, this paper addresses this vital and neglected cog in management accounting research.

Such an inquiry is significant from a theoretical and practical point of view. By exploring the interplay between institutions, agency, culture and MCS within a single study, this paper contributes to management control scholarship. Our paper also adds to post-Hofstede cultural/diversity accounting research, amid claims that there is still much to be done in cultural accounting research to go post-Hofstede (Joannides *et al.*, 2012). It also responds to calls for more research on non-Western settings, such as developing countries within their specific and diverse contexts (Alawattage *et al.*, 2007; Hopper *et al.*, 2009; Joannides *et al.*, 2012). Theoretically, past culture bent accounting studies have mainly drawn on contingency variables (Van der Stede, 2003), actor-network theory (ANT) (Endenich *et al.*, 2017; Hopper *et al.*, 2008; Jollands *et al.*, 2015), etc. Leaning on institutional theory, more specifically following Lounsbury (2008), we extend this body of knowledge by unravelling how culture gets manifested in shaping MCS amid external institutional influences and the agency of practice level actors. Although escaped the attention of most prior researchers in the area of culture and control, institutional theory is a suitable lens to explore forming of controls amid multiple cultural deliberations. From a theoretical stance, this is important for when viewed more broadly, prior accounting research inspired by institutional theory have largely focused on isomorphic accounting practices embedded in an institutional environment (Abernethy and Chua, 1996; Alam, 1997; Ansari and Euske, 1987; Covaleski and Dirsmith, 1988; Hoque and Hopper, 1994; Kholeif *et al.*, 2007). Viewed from a theoretical perspective, our paper is also different from other studies on parent subsidiary relationships (Yazdifar *et al.*, 2008) and clustered firms (Gamage and Gooneratne, 2017), where one could witness multiple influences shaping accounting practices. For instance, while the former was premised upon multi-institutional theory and power perspective, the latter was founded on the institutional logics perspective. Seeing in this manner, being focused upon external institutional influences and the agency of practice level actors, we extend the use of institutional theory in management accounting research. Our paper is also of significance to practitioners. It offers insights to practicing managers of MNCs on developing control systems aligned to the culture of their local operating companies, while being par with the global prescriptions of the parent company.

The rest of the paper is structured as follows. Section 2 reviews prior management control literature in MNCs, also covering Hofstede inspired culture as well as post-Hofstede culture inspired MCS research. Section 3 presents the research context, followed by the theoretical framework and methodology adopted in Sections 4 and 5, respectively. Field study evidence from Delta Lanka is offered in Section 6. Section 7 presents a discussion of the findings and conclusion.

2. Literature review

2.1 Multinational corporations and management control

In global entities, such as MNCs, amidst the superior authority rested on the parent company, control over subsidiaries has become a common occurrence (Chang and Taylor, 1999). More recently, there have been calls for greater flexibility, and the hierarchical centralised power of the parent company is on the decline (Busco *et al.*, 2007). Nevertheless, maintaining ties between the parent company and geographically widespread subsidiaries is vital, and this poses peculiar issues in controlling operations of MNCs. Strangled between two ends, the common language flowing from the parent company gets embedded into the culture of operating companies in several forms, and MCS are used as mechanisms to coordinate diverse elements of such organisation by aligning local practices to global strategies.

As espoused by Busco *et al.* (2007), one could differentiate between three approaches to governing activities across borders, namely, multinational, global and transnational, which encompass different degrees of centralisation versus decentralisation, standardisation versus differentiation, strategy integration versus local responsiveness and vertical versus lateral relations. Companies with a multinational mentality recognises that worldwide subsidiaries have multiple and national responsive strategies. Thus, grant subsidiaries considerable autonomy and decentralisation; have high level of local responsiveness and permit product differentiation and local adaptation. Subsidiary managers tend to be nationals of the host country; capitalising on the autonomy and the willingness of the parent company to invest in foreign operations, as well as relying on their own knowledge on local markets, these managers often build significant local growth. This approach produces a polycentric (i.e. host country oriented) attitude, which implies that host country cultures and local practices are optimal. Local people thus play a pivotal role in deciding what's best for them (including controls), while preserving the local identity. This is in contrast to the global approach, which involves high centralisation of decision-making authority and control of activities, world-scale efficiency; high product standardisation and global marketing; implementation of centrally set global strategies; and ethnocentric attitudes, thus the prevalence of global practices (Busco *et al.*, 2007). Placed in between the above two, the transnational approach involves neither centralisation nor decentralisation; it entails high integration onto a global network; high specialisation, national responsiveness and worldwide learning; and geocentric attitudes which bring together local and global practices. Its cultural features encompass flexibility as well as intense coordination and knowledge sharing. Seen in this manner, while typically one approach may prevail, a particular firm may also display features of more than one approach above and may experience a shift from one approach to another (such as from multinational to transnational) overtime.

On a related note, operations and controls of global entities, such as MNCs have captured the interest of prior researchers (Barrett *et al.*, 2005; Chang and Taylor, 1999; Coates *et al.*, 1992; Hyvonen *et al.*, 2008; Quattrone and Hopper, 2005, 2006; Yazdifar *et al.*, 2008). The (longitudinal) case study by Yazdifar *et al.* focused on the dynamics implicated when a UK chemicals company imposed its systems and rules on a new subsidiary. Chang and Taylor in their quantitative inquiry strived to determine the factors as well as the degree and types of controls used by American and Japanese MNCs on their Korean subsidiaries and found that the degree of MNC's ownership and the nationality of the headquarters affected the control exerted. Hyvonen *et al.* drew on ANT to investigate how a division-wide MCS were created in a multinational enterprise in the implementation of activity-based costing (ABC) and ERP projects. Barrett *et al.* identify the processes of coordinating a multinational audit linking local and global dilemmas through inter-office instructions and firm's risk-based audit methodology. Implementation of technology (i.e. ERP) and MCS in MNCs (Quattrone and Hopper, 2005, 2006), association between performance measurement, corporate objectives, managerial responsibilities and incentives (Coates *et al.*, 1992) too were explored by past researchers.

2.2 Hofstede inspired culture-based management control research

More particularly, research founded upon MCS has incorporated cultural influences shaping controls, primarily drawing on the five-dimension model of Hofstede (1984). Accordingly, scholars have investigated accounting performance measures and supervisory evaluative style (Harrison, 1993), budget emphasis and job-related attitudes (Harrison, 1992), organisational culture and budget participation (O'Connor, 1995) as well as the relationship between culture and managers' attitude towards business ethics (Okpara, 2014). The link between cultural characteristics and the development of accounting and controls systems (Chow *et al.*, 1994; Chow *et al.*, 1999; Gray, 1988; Kuchta and Supken, 2011), impact of national culture in shaping management practices, such as total quality management (TQM) (Jung *et al.*, 2008), individualistic and collectivist cultures on individuals' decisions in a team-based work setting (Awasthi *et al.*, 1998), transferability of management controls across countries (Sordo and Baren, 1999), effects of national culture and MCS on manufacturing performance (Chow *et al.*, 1991) too has been subjected to scholarly inquiry. Prior literature also encapsulates studies founded upon incentive systems (Van der Stede, 2003), effects of cultural values (applying Gray's theory of socio-cultural factors) on accounting values and practices (Askary *et al.*, 2008), as well as the relationship between Hofstede's cultural dimensions and tax evasion (Richardson, 2008).

This body of culture-bent MCS research leaning on Hofstede's framework also includes studies founded upon MNCs. For instance, Newman and Nollen (1996) investigated financial performance of European and Asian work units of a multinational company as a function of the congruence between management practices and national culture. Still on MNCs, the survey study of Van der Stede (2003) investigates whether variations in national culture at the business-unit level of a multinational company prompt adjustments in corporate management controls and incentive systems. Certain other studies although not grounding on Hofstede's framework were premised upon culture and control. This includes the Chinese study on entrepreneurial leaders and indigenous firms' performance management linked to core cultural value of collectivism (Tsang, 2007), the relationship between external environment, organisational culture and the adoption of MCS in large Brazilian companies (Reginato and Guerreiro, 2013), the study on Canadian manufacturing firms which explored the relationship between organisational culture and performance measurement systems (Henri, 2006), as well as the evolution of nationality-based organisations in Malaysia (Bhaskaran and Sukumaran, 2007).

2.3 Post-Hofstede culture inspired management control systems research

Notwithstanding the above, Hofstede's model carries theoretical and methodological limitations, such as treating culture simplistically; as a limited set of aggregate dimensions and an excessive reliance on value dimensions incorporating only numeric indices and metrics in conceptualising culture (Baskerville, 2003; Harrison and McKinnon, 1999; McSweeney, 2002), which has led to a restricted understanding. In light of such limitations, accounting researchers have highlighted the need to depart from the wisdom espoused by Hofstede, to incorporate historical, institutional and cultural underpinnings behind control systems, while also focusing on non-Western cultures (Alawattage *et al.*, 2007; Hopper *et al.*, 2009; Joannides *et al.*, 2012). Consequently, with a qualitative twist, a stream of empirical contributions have emerged on ethnicity and control drawing on anthropological frameworks, which depict the main features of the cultures studied (Alawattage and Wickramasinghe, 2009; Baskerville *et al.*, 2016; Wickramasinghe *et al.*, 2004; Wickramasinghe and Hopper, 2005). Other research papers taking a post-Hofstede orientation built on ethnographic accounts of ethnic groups have focused on the socio-cultural aspects of management control (Ahrens and Mollona, 2007; Efferin and Hopper, 2007). While Efferin and Hopper focused on the socio-cultural aspects of management control in a Chinese Indonesian manufacturing company in probing into how culture, history, politics and commercial considerations shaped management control, Ahrens and Mollona used ethnographic records to understand control as a cultural practice in the context of a steel mill in Sheffield. A further line of studies has been founded upon ethnic groups in Malaysia (Hasri, 2009; Nor-Aziah and Scapens, 2007; Norhayati and Siti-Nabiha, 2009). Collectively, these researchers highlight the need to grasp the interrelated and the socially embedded nature of culture, as well as the specificities of culture shaping controls.

Accordingly, while it is claimed that controls in MNCs could be uniformly implemented rather than to reflect local business conditions, as dominant corporate cultures play a major role in shaping control and incentive systems (Van der Stede, 2003), scholars also suggest that MCS may lose effectiveness if they are not reengineered to reflect the cultural diversity in subsidiaries (Lindholm, 2000; Picard and Reis, 2002). Thus, modifications need to be incorporated to MCS of subsidiaries, possibly containing compulsory and non-compulsory elements as attuned to the cultural context in which they operate, to positively influence job satisfaction and performance of host-country employees (Lindholm, 2000; Busco *et al.*, 2007).

Extending this line of inquiry, while taking a post-Hofstede orientation to culture and being enriched with data from an operating company of a MNC, our paper makes a contextual depiction of how culture gets intertwined in the shaping of management controls amid the role of external institutional forces and organisational agents at the level of practice. We dwell into how tensions between the global tendencies towards convergence through the dominant culture of the parent company and differentiation through aligning with business practices attuned to local culture is managed in a subsidiary company. Such multiple deliberations form the building blocks governing MCS in global organisations. This although is a potentially important and interesting research avenue has not been the focus of prior researchers, and our paper addresses this apparent omission in the literature.

3. Research context

The context of this research (Delta Lanka), which operates in Sri Lanka, is a subsidiary of a multinational parent company (Delta Global), with a Swiss origin. Delta Global, which possesses over 400 factories in over 80 countries around the world is a renowned nutrition, health and wellness-company offering consumers a wide range of food and beverages (Delta Lanka, 2016).

The organisational practices (including control systems) of Delta Global and its operating companies have been largely shaped by cultural ramifications. In par with the quality conscious Swiss culture, Delta Global places a high focus on quality, and this quality orientation is transmitted to its operating companies (including Delta Lanka) through Delta Quality Management Systems (DQMS). Delta Continuous Excellence (DCE) system, which is derived from the culture of Delta Global is a frame of reference for the operations (including controls) of Delta Global and its operating companies. Standard Operating Procedures (SOPs) are also directed from the parent company to guide the operating companies through spelling out the prescribed methods of engaging in actions.

Delta Lanka established its presence in Sri Lanka more than a century ago, as a trading company. It thereafter became a public-quoted company and commenced commercial production in the 1980s, and currently its production facility manufactures 90 per cent of the products sold in Sri Lanka. As a prominent company in the food and beverage industry of Sri Lanka, it provides direct employment to over 1,000 people and positively impacts the livelihoods of over 23,000 distributors, suppliers, farmers and their families.

The organisation structure of Delta Lanka is presented in Appendix 1[3]. Parent company (Delta Global) which is situated in Switzerland controls its operating companies worldwide (including Delta Lanka) through zones and regions. Delta Lanka falls under AOA (Asia, Oceania and Africa) zone and South Asian region, which includes Sri Lanka, Maldives, Bangladesh and India. The head office of this region is in India to which Delta Lanka reports its performance. This subsequently gets transmitted to the parent company in Switzerland. A direct reporting relationship also exists between Delta Global and Delta Lanka.

4. Theoretical lens

This paper is founded upon the theoretical underpinnings of institutional theory. The initial writings on institutional theory dates back to the pioneering work of Meyer and Rowan (1977) and DiMaggio and Powell (1983). Taking a macro focus, these early writings illuminate how organisations passively adapt procedures and practices to gain legitimacy by conforming to expectations of the external institutional environment. Institutional isomorphism (comprising of coercive, mimetic and normative pressures) geared towards institutional stability (DiMaggio and Powell, 1983) is a significant facet of institutional theory. Following the seminal paper by DiMaggio and Powell scholarly attention has largely revolved around exploring convergence of practices and symbolic conformance. However, this taken-for-granted view of institutional theory as an explanation for persistence and homogeneity has been subjected to criticisms, for it undermines the role of agency in the adoption of externally imposed practices. In light of such criticisms, institutional theory has been refined, critiqued and extended over the years (Willmott, 2015). Consequently, moving beyond homogeneity, the past four decades have seen significant developments in institutional theory ranging from institutionalisation (Scott, 1987, 1995; Tolbert and Zucker, 1996), deinstitutionalisation (Oliver, 1992), institutional entrepreneurship (Garud *et al.*, 2007), institutional change (Arroyo, 2012; Börner and Verstegen, 2013; Dacin *et al.*, 2002; Townley, 2002), institutional logics (Thornton *et al.*, 2005), strategic response to institutional processes (Oliver, 1991), critical management studies and institutionalism (Suddaby, 2015) and critical institutionalism (Lok, 2017) to name a few.

Keeping with these developments and with a focus on actors, researchers have begun to illuminate how institutional theory would lend support in understanding organisational heterogeneity and practice variation (Greenwood *et al.*, 2002; Lounsbury, 2008). For instance, Lounsbury (2008, p. 349) espoused that the "popular understandings of neoinstitutionalism as a theory of isomorphism need to be revised as institutionalists have shifted attention towards the study of organisational heterogeneity". This path of research strives to broaden the vistas of institutional theory by incorporating micro-processes of organisations through the agency of actors to orthodox institutional analysis confined to symbolic conformity (Lounsbury, 2008).

Over the past several decades, institutional theory has been widely used as a theoretical lens in the world of accounting research (Börner and Verstegen, 2013; Hoque and Alam, 1999; Hopper and Major, 2007; Gamage and Gooneratne, 2017; Siti-Nabiha and Scapens, 2005; Tsamenyi *et al.*, 2006; Youssef, 2013), and more evidently relating to the public sector (Abernethy and Chua, 1996; Alam, 1997; Ansari and Euske, 1987; Brignall and Modell, 2000; Hoque and Hopper, 1994; Kholeif *et al.*, 2007).

In particular, institutional theory has been used as a lens to explore how organisational controls have been developed in multinational companies (Cruz *et al.*, 2009; Lukka, 2007; Zilber, 2012; Phillips and Tracey, 2009; Kostova *et al.*, 2008). In her review paper, Zilber suggests how institutional theory may facilitate studies on culture, such as how cultures within organisations are worked out in relation to cultures outside organisations, how organisational cultures are being transformed and translated through time and in various localities and the role of actors in the work of organisational culture. Cruz *et al.* based on a joint venture in the hospitality industry identified that local practice variations may be necessary and that attempts to rigidly apply global systems to create homogeneous practices may not be successful as each locality will have their own needs. The paper by Lukka founded upon a Finnish operating firm, reports on how corporate headquarters developed standardised management accounting systems to improve the efficiency of its geographically dispersed activities, amid the presence of informal management accounting practices at the local level based on technical (internal) logic. Literature also suggests that organisational agents contribute significantly in creating social embeddedness in MNCs through creating new institutional structures and altering existing ones, which are then diffused across organisational fields (Phillips and Tracey, 2009), and that the broad concepts of power and politics, intertwined with the ideas of agency is vital in understanding organisational controls in multinational contexts (Kostova *et al.*, 2008). Seeing in this manner, institutional theory is a suitable lens to capture controls of MNCs operating in different locales.

Extending the above line of inquiry, in this paper drawing upon institutional theory, we illuminate how external institutional forces and organisational agents at the practice level shape MCS in an operating company (Delta Lanka) of a MNC, amid multiple cultural ramifications arising through the parent company's and operating company's culture. Although important, this remains as an under-researched area in prior management accounting literature. Seen through the lens of institutional theory, we concur parent companies as highly institutionalised environments (DiMaggio and Powell, 1983, 1991; Scott and Meyer, 1991), where systems (including MCS) imposed by a global parent needs to be embraced by sub-units/operating companies worldwide. Yet, such systems need to be contextualised as suited to the circumstances of the operating company.

As presented in Figure 1, in the context of Delta Lanka, it is conjectured that MCS are initiated based on global prescriptions (external institutional pressures) stemming from the parent company culture, which subsequently get localised through internal agents at the practice level in line with the operating company culture.

5. Research methodology

Data collection of the study was carried out through a pilot study done in October 2016 followed by a main study in December 2016. The pilot study was designed to acquire background knowledge of Delta Lanka and its management structure, culture, management practices and MCS, via in-depth interviews with key agents at the practice level. Guided by our theoretical underpinning and capitalising on a review of prior literature, some broad interview questions were posed to uncover; how global prescriptions stemming from Delta Global's culture influenced shaping of MCS of Delta Lanka, how localisation needs through actions of practice level actors of Delta Lanka get embedded in its MCS, and how MCS are developed satisfying multiple cultural considerations, amid the tensions between local and global.

Two interviews were conducted during the pilot study phase, and this information was invaluable in refining theory and methodology, deciding on areas that warrant deep probing and in identifying relevant personnel for interviews during the main study. The pilot study findings revealed that MCS of Delta Lanka were shaped by the global directions of the parent company (in Switzerland) and localisation attempts of the operating company (in Sri Lanka), particularly their cultural ramifications. To uncover these aspects in detail, during

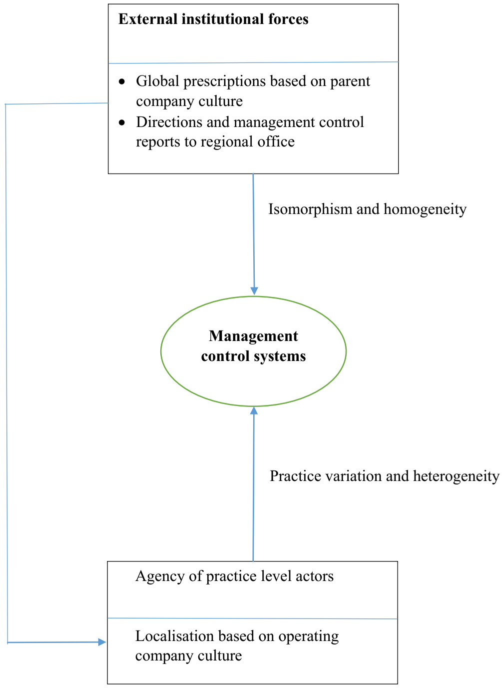

Figure 1.
Theoretical framework

the main phase, in-depth interviews were conducted with 13 top/middle level managerial employees. These interviewees represent the key functional areas, namely, supply chain, procurement, accounting, control, operations, information technology and human resources, and were selected by examining the organisation chart of Delta Lanka. Through these interviews we believe that a plausible fit between the research questions, theory and data (Ahrens and Chapman, 2006), and a position of theoretical saturation was reached, as no further surprises emerged from the field. Interviewee details and broad interview questions are presented in Table I and Appendix 2, respectively.

While 12 of these interviews were conducted face to face at the head office of Delta Lanka, one interview was conducted over the phone, due to the inability of obtaining an appointment from this interviewee, given his very busy schedule. All interviews were voice recorded and detailed notes taken down along with the interviewees' expressions, feelings and reactions.

Interview data obtained at the operating company (Delta Lanka) were supplemented by analysis of documents initiated by the parent company (Delta Global), such as annual reports, budgetary control reports, training manuals, SOPs and other written instructions and systems. This in turn enabled us in understanding the global prescriptions made by the parent company. Accordingly, an in-depth understanding on the culture/control interface, amid external institutional influences and role of practice level actors was obtained within our research site, Delta Lanka.

In analysing the data, we were primarily guided by Miles and Huberman (1994). First, interview data was transcribed verbatim, then transcripts along with the field notes were carefully read to get familiarised, taking note of items of potential interest, and subsequently

Designation of interviewees	Responsibilities/areas of work	Duration of interview
Manager – supply chain control	Driving the supply chain through ensuring smooth supply of inputs	40 min
Senior business controller	Profit planning and driving the profit and loss account, budgeting and providing financial support for the business	45 min
Commercial controller	Sales and marketing related financial matters	40 min
Head – financial accounting and reporting	In charge of the financial operations, preparation of financial statements and reporting, carrying out management control and financial instructions of the parent company and the regional office, while shaping the MCS according to the market, cultural and environmental factors	40 min
Head – internal audit (2 interviews)	Planning and conducting department wise internal audits and providing audit reports	1 h 30 min
National field operations manager	Heading a team of nutrition advisors and disseminating information on nutritional facts of food items and assisting product development	40 min
National sales operations manager	Responsible for the entire re-distribution of sales which includes secondary sales, merchandising, automation and point of sales materials and equipments	35 min
Senior – manager supply planning (Head of Procurement)	Planning procurement for raw materials, packaging materials, services and indirect materials. In charge of import and export logistics	40 min
Head – learning and training (2 interviews)	In charge of organising training (including in the areas of business processes and MCS) and leadership development for staff	1 h 50 min
Assistant Manager – Financial Reporting	Supporting internal reporting and preparation of quarterly financial accounts and annual reports	45 min
Manager – business excellence and internal control	Checking whether operations and MCS are being carried on according to the set guidelines, reporting deviations and suggesting improvements for smooth running of the business	40 min
Global IS/IT manager	In charge of the ERP system and lends technological support in shaping the MCS by providing and maintaining IT facilities to staff	45 min
Manager Delta health science	Managing operations of Delta Health Science (an SBU)	40 min

Table I. Details of interviewees

key themes were highlighted. Next, coding was carried out. According to Miles and Huberman (1994) codes are tags or labels for assigning units of meaning to the data gathered. The initial codes were rather broad categories, "a provisional start list" (as Miles and Huberman described it), which were refined as data collection proceeded, "to follow up on surprises". These codes were assigned to the key themes in the data (words or phrases which illustrate patterned responses or meanings) based on different interviewee comments. The key themes were then iterated with the theoretical lens (institutional theory) to make sense of findings. In doing so, actors' interpretations were reproduced using direct quotes from them within a particular theme, and an in-depth understanding of the data were developed. It was decided to carry out the process of coding and categorising of data manually, with the aid of Microsoft Word and Excel. These coded data were grouped together to identify similar patterns and overlaps between codes. Data were then organised and displayed in summary tables (listing the main codes and interviewees' comments), which facilitated the analysis of diverse views of interviewees. We thereafter went through these codes, themes and data back and forward several times to interpret the data identifying what is interesting about the data and why. In this manner, through field study evidence from Delta Lanka, rich insights were obtained on how MCS in operating companies of MNCs are developed attuned to the culture of their local operating companies, while being par with the global prescriptions of the parent company.

6. Management controls in Delta Lanka: evidence from the field

Informed by the theoretical underpinning of institutional theory, in this section, we unfold how MCS get intertwined with multiple cultural influences, by way of global prescriptions of the parent company in par with its culture and localisation needs at the practice level in the particular cultural context of Delta Lanka.

This is illustrated in Figure 2 and elaborated in turn.

6.1 External institutions, parent company culture and shaping of management controls

Our field encounters reveal that MCS of Delta Lanka, such as the operational master plan, dynamic forecasts and budgets have been initiated based on global directions via standard procedures, guidelines and systems instigated by the parent company (the "Delta Global way") aligned to its culture. As noted by interviewees of Delta Lanka and became evident

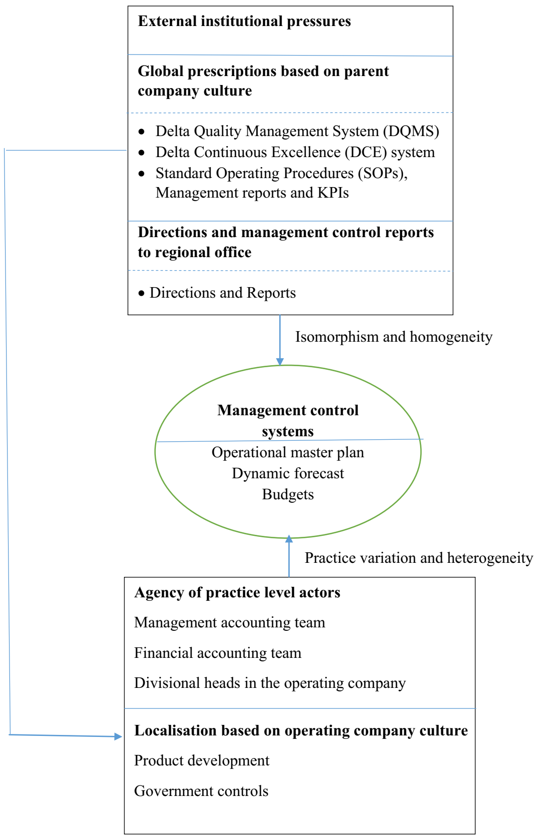

Figure 2.
Institutional pressures and agency of actors in forming management controls

through review of documents, DQMS, DCE system, SOPs, management reports and key performance indicators (KPIs) which need to be embraced by operating companies worldwide are significant in this regard. We turn to this next.

6.1.1 Delta quality management system. The corporate headquarters of Delta Global is located in Switzerland, and "Swissness" is rooted in its corporate values, such as quality orientation, which in turn are shared among its operating companies worldwide, including Delta Lanka. The Head of Internal Audit noted, "as you know the Swiss culture is well-known for quality, and quality concepts are embedded into Delta Global and are transmitted to Delta Lanka". This is done through DQMS which has been developed by Delta Global and cascaded to its operating companies. The Senior Business Controller explained how the dairy production is being brought in line with DQMS and controls initiated accordingly:

> According to our DQMS, quality starts from procurement. We have specifications for each of the materials we procure. As an example, when the fresh milk arrives we have to do temperature checks, alcohol tests and acidity checks. Then in the production process there are also several checks. When the finished products are manufactured before releasing to the market also we have to do many checks: we have to take samples from individual batches and test for quality. Only if the prescribed quality standard is met, we can release it to the market.

Emerging from the parent company culture, DQMS therefore plays a significant role in shaping production choices and connected controls revolving around quality in Delta Lanka.

6.1.2 Delta continuous excellence system. Delta Global having recognised the need of having uniform practices to exert effective control over its operating companies across the world (including Delta Lanka) have established the DCE system. It is a significant feature of Delta Global's culture and has been instrumental in shaping MCS of Delta Global and its operating companies. As revealed through internal documents, DCE system encompasses Delta Corporate Business Principles and the Leadership Development Framework. The former includes nutrition, health and wellness, quality assurance and product safety, consumer communication, human rights and labour, leadership and personal respect, environment sustainability, among others (Delta Lanka, 2016). The latter encapsulates leadership and acceptance as well as willingness to change, competing and connecting externally through understanding business environment, collaborating internally through proactive cooperation and creating an inclusive culture, which exhibits that employees value a diversified culture. These components of the Leadership Development Framework are further cascaded according to the levels of organisational hierarchy in the operating companies worldwide. One interviewee explained how the Leadership Development Framework is transmitted to Delta Lanka:

> We have a lot of globally driven practices. For example when it comes to Leadership Development Framework, there are certain strong leadership behaviours that Delta Global expects from its employees worldwide. These principles are embedded within the culture of Delta Global and are expected to be practiced by the operating companies across the world.

Another interviewee added:

> As employees when we are working, there is a very good structure here; for whatever we are going to do, there is a well-defined process introduced by the parent company and we have to adhere to those.

The DCE system keeping with the culture of Delta Global, through the Corporate Business Principles and Leadership Development Framework provides a firm basis to instigate control systems in Delta Lanka. Senior Manager Supply Planning elaborated:

> Under DCE we have the Leadership Development Framework. In that we talk about leadership behaviours, competencies and applying the leadership models to coach subordinates. So employees have to come up with their plan on where they want to go by the next two years, it's formalised and it's stored in the information system and anybody can access that and see where the employee wants to head in the future. Therefore the information system plays a control role in embedding the Leadership Development Framework within the organisation.

Alongside the DQMS and DCE system, SOPs, management reports and KPIs are significant in the sphere of management control.

6.1.3 Standard operating procedures, management reports and key performance indicators. It became evident through our field encounters that different departments of Delta Lanka prepare management control reports for the parent company and the regional office. SOPs formulated by the parent company serve as a frame of reference in this regard. As one Manager espoused:

> In Delta Lanka almost all the operations are documented and aligned to particular standards/ procedures known as SOPs. They are divisional and departmental specified, made by the person who is in charge of the particular control systems and signed by the respective heads of departments.

As an example, the format of the Risk and Control Matrix, which is prepared to evaluate risk (illustrated in Table II) is specified by the parent company, keeping with its SOPs to facilitate the monitoring process of the operating companies. Under this matrix each employee explains the relevant SOPs or the standards related to their specific job and any potential risk that might occur along with its likelihood of occurrence and its impact. The employee is also supposed to identify the need of localising a particular standard/policy/ SOP in controlling/minimising the potential risk, along with the local responsible person. The control implementation deadline and the control implementation status are to be identified and addressed by the senior authoritative person. Further, if there is any non-compliance related to this identified risk factor, it needs to be justified to address the audit queries.

In the preparation of management accounting reports Delta Lanka is expected to follow uniform formats specified by Delta Global in Switzerland (parent company), amid the mediating role of the regional office heads in India, who ensure that any regional specifications (of the South Asian region) are captured. An interviewee illustrated:

> When it comes to target setting we get guidelines and directions from the parent company in Switzerland. Also we are being directed by the regional office in India, who influence in setting targets and reporting.

Adding further insights, the Senior Business Controller illustrated that budget reports and quality control reports are directly reported to the regional office, which subsequently gets transmitted to the parent company. Any deviations get immediately alarmed to the DQMS system of Delta Lanka to enable corrective action to rectify deviations. Manager Supply Chain Control commented on the reports prepared by his department to the regional office:

> In terms of costing we prepare working capital reports, budgets and TFCS (Target Free Cash Flow) reports which we send to regional office in India. In addition, KPIs such as customer service level, finished goods stocks, raw material stocks, demand plan accuracy, cost of distribution and working capital are also reported to India.

While preparation of these reports emerge as directions to the operating companies from the parent company, Delta Global has introduced an ERP system which includes formats and

Standard business process	Risk description	Risk likelihood	Risk impact	Additional comments (if any)	Self-reporting	localisation	Local responsible	Control implementation deadline	Control implementation status	Business justification for non-compliance

Table II.
Risk and control matrix

tables to be followed by Delta Lanka in preparation of these reports. This in turn facilitates information sharing with the parent company, regional office and operating companies.

It was also evident that departmental operational reviews are carried out daily, weekly and monthly by the internal control division of Delta Lanka. This involves comparing the departmental specific KPIs and SOPs with the actual results, identifying deviations in performance and suggesting means of rectifying them. Financial performance related KPIs (i.e. finished goods stock, demand plan accuracy, cost of distribution, working capital, organic growth, targets on operational profit, marginal cost from each product category, etc.) as well as non-financial performance-related KPIs (i.e. customer service level, employee training, quality control measures, etc.) are important in this regard. Manager business excellence and internal control expressed how KPIs assist in tracking operations and monitoring employees:

> The employees in my department report KPIs such as Growth, GRIR (Goods Received and Invoice Received), and Confirmatory Purchasing Orders. I then identify the lapses and recommend solutions. If the employee could not solve the problems I personally get involved and solve it in my capacity.

Seen from the perspective of institutional theory, the above interview quotes illustrate how Delta Lanka's management controls get converged ceremonially through a common language stemming from its parent company culture, such as DCE and DQMS systems as well as budgets and other reports and KPIs produced for the head office. Next, we turn to how the agency of actors in the operating company makes way to practice variation at the local level.

6.2 Agency of internal actors, operating company culture and localisation of controls

As the foregoing suggest, being systems initiated by the parent company DQMS, DCE, SOPs, management reports and KPIs need to be embraced by all operating companies of Delta Global. Interviewees however revealed that autonomy is granted to operating companies to localise operations and controls guided by their particular cultural context, within limits, known as "think global and act local". The Head of Financial Accounting and Reporting espoused:

> Eventhough this is a multinational company, we are working in the local context. If you look, may be ten foreigners are working in Delta Lanka. They are also in the top level. Majority of employees are from the local context and belong to the Sri Lankan culture and we serve the Sri Lankan market.

It was revealed that practice level actors in the management accounting and the financial accounting area as well as divisional heads in operating company play a prominent role in the localisation process. An interviewee noted, "our management accounting team and the financial accounting team has the authority to make suggestions to the higher authorities to facilitate localisation of MCS". Interviewees explained that localisation is permitted within localised guidelines known as derogations. As long as the operating company guidelines are more stringent than those of the parent company, approval is given and derogations get enforced. One manager stated, "we have to adhere to local rather than global guidelines if the local guidelines are stricter, and for that we need to get exception approval from the centre". Accordingly, localisation of operations in Delta Lanka has occurred in the area of product development through food authority controls and codes, based on Sri Lankan culture, for there are various food authority controls imposed by the government for MNCs operating in Sri Lanka. An example was provided by the National Field Operations Manager:

> Under the breast milk code, the WHO guideline says that when you are introducing a new infant product you can sample it to mothers and doctors. But the Sri Lankan code does not allow it. We have to follow whichever is stricter, out of the WHO code and the local code. Therefore infant products are not sampled when they are introduced for the first time in Sri Lanka.

Being a firm based in Sri Lanka, adherence to government imposed controls is vital. For instance, stemming from the culture to promote local industries the minimum prices paid to farmers is regulated by the government, and compliance to such minimum/maximum prices is noteworthy in localisation of controls in Delta Lanka. One interviewee expressed:

> For milk we have price controls. There is a minimum price prescribed by the government to be paid to the farmers and you have a maximum selling price. For products like Delta Milk Powder, the maximum price is governed by the government here. So in these scenarios, management has to establish controls that are specific to that market, like Sri Lanka.

Food preferences stemming from cultural considerations too have influenced production choices of Delta Lanka. The Senior Business Controller explained that through his years of experience in serving Delta India he understood how the taste of Delta noodles differs from country to country. According to him, the taste of Delta noodles in India has an authentic taste which matches the preferences of the people in India (e.g. Delta Masala Noodles, Delta Vegetable Atta Noodles) and the flavour of Delta noodles in Sri Lanka has a unique taste preferred by Sri Lankans (Delta Chicken Noodles, Delta Curry Noodles, etc.). The Head of Procurement explained how food preferences get linked to religions of various communities. For instance, while displaying the Halal certification in the products produced and distributed is a requirement in certain countries, in Muslim-based countries, it is compulsory to assure that the product does not contain any pig fat. Keeping with such cultural underpinnings, controls are established to monitor product specifications.

Manager Supply Chain noted that Delta Global while valuing diversified cultures and accepting traditions and practices of different countries, geographies and markets, permits its subsidiaries to formulate localised controls as suited to its culture and market via minor changes to global prescriptions. The management team of Delta Lanka plays a major role in this regard. Accordingly, they align systems stemming from the parent culture such as DQMS, DCE system as well as SOPs to the quality standards prevalent in Sri Lanka (such as ISO) to ensure that local realities are captured.

6.3 Management controls as an interplay between external institutional forces and the agency of actors

Operational master plan, dynamic forecast and budgets are key constitutes within the control landscape of Delta Lanka. The operational master plan is a detailed forecast of operations prescribing the long term targets, which are subsequently segregated into yearly and monthly forecasts for production of different food categories, costs of production and other operational activities as well as projected revenue. These are initiated by the parent company and subsequently cascaded down to operating companies and their respective divisions, assigning each employee performance evaluation objectives to be achieved. An incentive is spelt out at the beginning of the year for the achievement of the objectives. In that sense, operational master plan serves as a control tool which drives employee performance. Manager Supply Chain added:

> The market head of the region (India) gives objectives to Vice President Supply Chain here, who gives objectives to department employees. These objectives set the base for their performance evaluations. If you look at our supply chain department as a whole, operational masterplan is what we should achieve.

The operational master plan review forms a part of goal alignment and assists in monitoring the achievement of goals set by the parent company. The dynamic forecast, which is derived from the operational master plan is a financial forecast for the forthcoming year. The Senior Business Controller explained:

> The dynamic forecast is done yearly and reviewed monthly; it is like a rolling forecast. The actual results from operations and the forecasted results are compared and first reported to India, and then consolidated for the entire South Asian region and then it gets reported to the parent company in Switzerland. If there are any significant deviations from forecast, corrective actions would be prescribed to the operating companies to bridge the gap. So the dynamic forecast assists to prepare the master budget which includes forecasted P/L account, balance sheet and cash flows which get compared with the actuals.

Interviewees also revealed that the dynamic forecast assists in controlling costs, as it sets the maximum amount of expenditure under different categories of costs, and serves as "an alarm" for management when employees attempt to exceed the prescribed limits.

The operational master plan and the dynamic forecast form a frame of reference for budgetary control. The budgeting process of Delta Lanka is a top-down system, where targets for the operating companies are set by the parent company and the regional office, with the involvement of the divisional heads of the operating company. The Senior Business Controller elaborated:

> The budgeting process starts with a business plan which includes what products are to be sold, to whom, how much, which areas need to be more focused, which product categories should be concentrated and which product categories should be disregarded. All these business discussions are converted into a long term financial plan which is known as the operational master plan. This long term plan is cascaded into a yearly forecast which is known as the dynamic forecast. Then the targets are quantified in terms of product category as an example how much of noodles should be sold, how much of milk should be sold likewise. Then the overheads and the fixed costs are forecasted and the margins are determined. With all these elements the estimated profit or loss are forecasted, which will illustrate the financial level of the company. After that the product categories are separated. As an example if we take the noodles category, it is separated into 75g pack, 100g pack, and family pack likewise. Finally the expected turnover and the costs are budgeted to come up with the forecasted profits.

He further explained how the targets are obtained and subsequently operationalised:

> The targets come from the parent company in Switzerland. Then the targets are broken down into zones, within the zones we belong to the AOA zone and within that the South Asian region which is headed by India. So we get targets from India. We must ensure that the targets are achieved, so we do a detail planning to see whether our planning match the targets. If there is a gap we need to know how to bridge the gap. For an example if we are given a profit target of 15 per cent on sales, we do a plan and if it comes to 13 per cent, then we need to know how to bridge the gap, whether to sell more, whether to go low on cost etc.

Alongside the above, interviewees noted that zero-based budgeting (ZBB), which is initiated by Delta Global is embraced by its operating companies (including Delta Lanka), and has been applied in areas such as production, finance and training. The divisional heads and senior business controller act as key practice level actors who drive this control system within Delta Lanka. The head of training espoused:

> We are encouraged to come up with ZBB and it is decentralised. So I will be the person who will budget for training for the whole company. So I have to block my activity plan and activity calendar and have to come up with the programmes that I run based on the demand, cost them and get the budget approved.

As an operating company of a MNC, formulating localised controls amid global guidelines is a significant feature in the sphere of controls in Delta Lanka. For instance, product development plans are initiated at the operating company level catering to the local cultural considerations. However controls are exerted by the parent company to ensure compliance to quality specifications. The head of internal audit provided an example relating to the introduction of coconut milk powder in Delta Lanka. He added:

> Coconut milk powder is made only by Delta Lanka and is unique to the food preferences of the culture in Sri Lanka. Delta Global has given the autonomy and the flexibility to choose the products to be produced but before producing they control such activities by ensuring that approval is obtained for the recipe, ingredients and quality considerations of the parent company.

Subsequently, these plans get fed into the operational master plan initiated by the parent company, dynamic forecast as well as the budgets of the operating company, respectively.

The foregoing suggests that as significant constitutes within the control landscape of Delta Lanka, operational master plan and dynamic forecast are aligned to the parent company guidelines, systems and SOPs and forms a frame of reference for its budgeting system. MCS thus follow on from global prescriptions stemming from the parent company culture and is maintained across operating companies through DQMS, DCE system, SOPs, management reports and KPIs, amid localisation as suited to the operating company culture. Of further importance, as became apparent from our field study data, the practice level actors in the operating company act as intermediaries in shaping the controls as suited to its unique circumstances. This results in practice variation in systems and controls, although broadly in par with the global guidelines espoused by the parent company.

7. Discussion and conclusion

Past research suggests that operations of subsidiaries of MNCs are influenced by mechanisms, which parent companies require their subsidiaries to adopt (Coates *et al.*, 1992; Van der Stede, 2003; Yazdifar *et al.*, 2008), and that MNC's ownership and the nationality of the MNC's headquarters affect control imposed (Chang and Taylor, 1999). Parent companies impose such rules and procedures on their sub-units with a view to improve central coordination and control and to ensure uniformity across globally dispersed operating companies. Viewed from the perspective of institutional theory this could be labelled as a form of coercive isomorphism (DiMaggio and Powell, 1983). Being a fully owned subsidiary of Delta Global, Delta Lanka is required to adhere to control systems instigated by the parent company (Delta Global) in line with its global corporate strategy and its culture (such as DQMS, DCE system). This exerts pressure towards homogeneity in control practices, and Delta Lanka's MCS such as operational master plan, dynamic forecasts and budgets have been crafted in line with such standard rules and procedures.

There is also a line of thought which suggests that when a firm's management group diversifies, its MCS may lose effectiveness if they are not reengineered to reflect the cultural diversity of the target management population (Lindholm, 2000; Picard and Reis, 2002). Seeing in this light, MCS of a subsidiary of a MNC should possibly contain compulsory elements stemming from the culture of the parent company and non-compulsory elements selected as suited to its cultural context, as witnessed in Delta Lanka. For an element of local discretion is permitted to operating companies by Delta Global to frame systems and controls being sensitive to the realities of the local culture, particularly in the areas of product development. For instance, coconut milk powder is made only by Delta Lanka, with prior approval from the parent company.

Based on their study on a multinational audit, Barrett *et al.* (2005) note that coordination of work in multinational firms is linked to global-local dialectic between the headquarters and distant peripheries. Findings from Delta Lanka reveal similar insights. For global directions originated from the parent company are subsequently localised by Delta Lanka via derogations.

Following the alleged limitations of Hofstede's model, and amid claims on the need to incorporate historical, institutional and cultural deliberations underpinning accounting systems, and to capture research settings other than Western cultures (Alawattage *et al.*, 2007; Hopper *et al.*, 2009; Joannides *et al.*, 2012), an array of studies has emerged (Alawattage and Wickramasinghe, 2009; Baskerville *et al.*, 2016; Wickramasinghe and Hopper, 2005; Wickramasinghe *et al.*, 2004). We contribute to this body of knowledge and position our paper within management control research taking an institutional theory perspective. While grasping specificities of culture with regard to control, we illuminate how management controls of an operating company of a MNC take shape through multiple cultural deliberations.

Over the past several decades, institutional theory has been widely used as a theoretical lens by accounting researchers (Alam, 1997; Ansari and Euske, 1987; Börner and Verstegen, 2013; Gamage and Gooneratne, 2017; Hopper and Major, 2007; Hoque and Hopper, 1994; Kholeif *et al.*, 2007; Tsamenyi *et al.*, 2006; Youssef, 2013 to name, but a few). In particular, researchers have used institutional theory as a lens to examine how organisational controls have been developed in MNCs (Lukka, 2007; Cruz *et al.*, 2009; Zilber, 2012; Phillips and Tracey, 2009; Kostova *et al.*, 2008). Extending this line of inquiry, in this paper we add to the on-going knowledge debate by illuminating how institutional theory would lend support in understanding organisational heterogeneity and practice variation. For, MCS within Delta Lanka while being embedded in the culture of the parent company and the operating company has taken shape amid external institutional forces at the global level towards homogeneity and localisation attempts by organisational agents at the practice level towards heterogeneity.

With regard to the three approaches to governing activities across borders, namely, multinational, global and transnational (Busco *et al.*, 2007), our research site, Delta Lanka more evidently depicts features of the transnational approach, which brings together local and global practices. On one hand, it entails high integration onto a global network, diffused through the global culture of the parent company as a means to bridge the gap between centre and peripheries and to realise the benefits of global learning. This results in increasing convergence of MCS managed through common language for measurement and control, through DCE system and DQMS as well as budgets and other reports produced for head office, which were largely ceremonial in nature. On the other hand, it also involves national responsiveness, thus heterogeneity, where products cater to consumer preferences stemming from the local culture and associated controls, such as derogations. Such cultural features encompass flexibility as well as coordination and knowledge sharing.

This paper is a useful addition to literature and theory and carries practical relevance. By bringing together multitude of cultural dimensions relating to the parent company and operating company into a single study in the area of management control, this paper adds to the burgeoning literature on the interplay between external institutions, agency of actors, culture and MCS. It also contributes to the ongoing debate on MCS research taking a post-Hofstede orientation. This is significant given the criticisms of using the Hofstedian model as a universal approach in culture bent accounting studies, and amid calls for qualitative papers which could offer in-depth understanding of what culture could be in the context studied (Joannides *et al.*, 2012).

From theoretical stance, we extend the use of institutional theory in management accounting research; for prior institutional theory inspired accounting research have largely focused on symbolic conformance/isomorphism. Although escaped the attention of prior researchers, institutional theory which could shed light on practice variation is a suitable lens to explore management control in operating companies encountering multiple cultural deliberations. Accordingly, we also respond to Lounsbury (2008) who notes that the gap between micro-processes and institutions creates a new space for theory development and empirical insights.

This research also contributes to practice by offering insights to managers in operating companies of MNCs on developing control systems keeping with the global prescriptions of the parent company, yet localising as attuned to the practical realities, including unique cultural contexts of the operating companies. This would be a lesson for managers of other firms (especially MNCs) in formulating control systems. This paper also provides directions for future scholarly inquiry. While the focus of this paper has been on how the cultural considerations of a MNC in the food and beverage industry shaped the MCS of an operating company, future research could be directed towards different business sectors such as multinational banks and non-government organisations (NGOs). Another future research avenue would be to explore the culture/control systems interface using multiple case studies, which would enable cross-case comparisons.

Notes

1. Parent company possesses the major controlling power over the operating companies.
2. Operating companies are being controlled by the parent company.
3. The shaded boxes in Appendix 1 denote the employees interviewed.

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Further reading

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Appendix 1

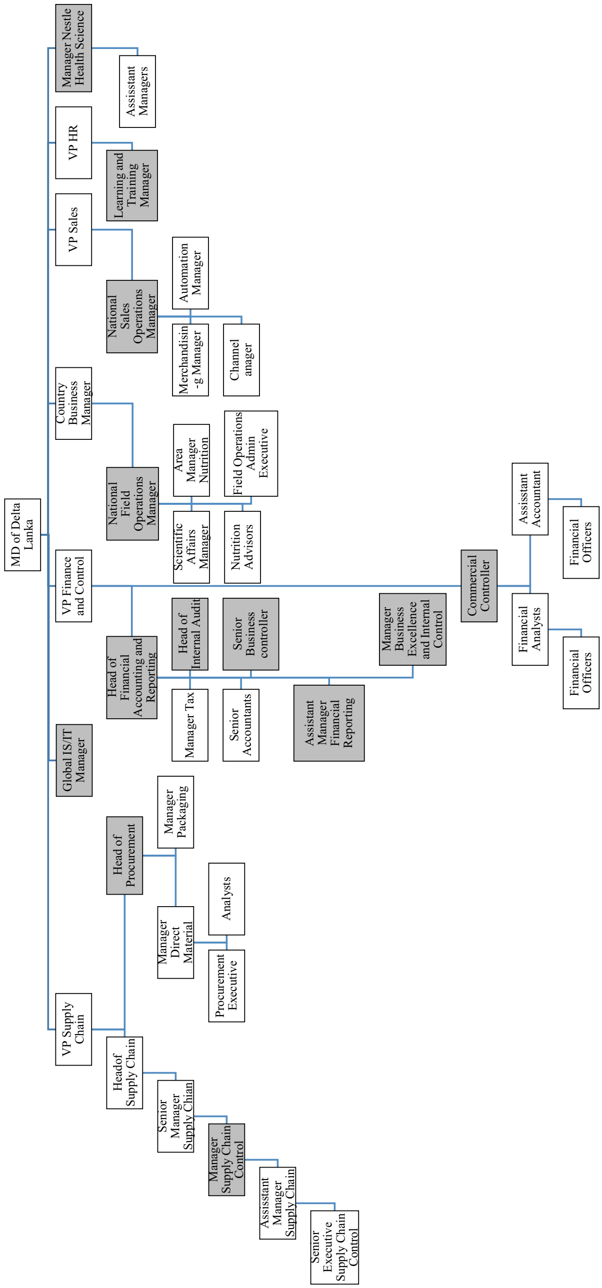

Figure A1.
Organisation structure of Delta Lanka

Appendix 2

Broad Interview questions

(1) Name Designation and department of the employee: how long has the person being employed in Delta Lanka?

(2) Duties related to the job: (briefly)

(3) To whom do you report?

(4) Who are the employees/designations working under you?

(5) How would you describe the culture of Delta Lanka in general, is there anything that is unique about the culture of Delta Lanka? If so what are they?

(6) In terms of controlling operations do you get written instructions regarding your work? (Manuals, guidelines, procedures, norms etc.) Or is it an informal setting?

(7) What are the management controls adopted within the organisation? (BSC, Budgets, ABC, quality management etc.)

(8) Who (parent company or Sri Lankan management) decides what MCS to be adopted, or is it a combination of these, explain.

(9) What other factors affecting the shaping of MCS according to your view? Are all overseas operations of Delta Lanka subjected to influences by the parent company, or do they make changes according to the country?

(10) Do you find any differences between management control-related practices initiated by the parent company and operating company (in Sri Lanka)? If so what are they?

Corresponding author
Tharusha Gooneratne can be contacted at: tharushng@dac.cmb.ac.lk