Controlling Multinational Companies: An Attempt to Analyze Some Unresolved Issues

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Abstract: Controlling multinationals with managerial accounting often is inefficient due to lack of understanding. Language, external variables, and headquarters decisions create distortions, which prevent comparison with domestic data and require subsidiary accounting adjustments. Furthermore, background and national cultural value systems let individuals perceive and react non-uniformly to similar issues. Therefore, steps are needed to assure cross-cultural understanding for communications. This suggests that some accounting problems may be communications and understanding issues, which need to be resolved first. This article describes a method to enhance understanding in cross-cultural management. This is demonstrated for the management accounting, control, and performance evaluation process.

SOME UNRESOLVED CONTROL ISSUES IN MULTINATIONAL FIRMS

The need for effective control in multinational firms has increased due to the proliferation of international engagements by large and small companies. Initially, it was assumed that existing business and accounting procedures could easily be transplanted into other countries. Only after problems arose from a lack of understanding between working groups in headquarters and subsidiaries, companies were forced to reexamine the reasons. This analysis revealed that several causes contributed—often jointly—to a limited understanding, thus decreasing the effectiveness of cooperation. Unfortunately, these problems are not attributable to language issues alone as was first thought. Rather, they arise from both:

- different business environments (in the broadest sense) affecting operational outcomes, and
- different background knowledge and culturally determined value systems
OPERATIONAL VARIABLES

Different business environments are the result of external variables. Operating in any national environment automatically invokes such specific variables. Some of these are shown in Fig. 1.

Although not an exhaustive description, the exhibit provides an overview. These variables influence business performance to varying degrees. Not all factors impact simultaneously and pull in the same direction, it can rather be expected that they are dissimilar for each subsidiary in each country and do not coincide with domestic influences. Therefore, each creates a unique distortion in performance measurements, which in turn require adjustments to arrive at comparable, economically valid evaluations for each subsidiary.

In addition to being subject to external variables, subsidiaries of multinational corporations often are assigned a special mission and will have an organizational structure imposed by headquarters. Only this approach will assure a highly integrated and efficient overall international structure. This type of international task diversification seems to be the essence and advantage of multinational firms. It is a necessary condition to accomplish strategic goals as well as operational efficiency. However, this internal task distribution frequently influences not only operational results but also the attitudes within both subsidiaries and headquarters.

Figure 1. Influences Affecting the Operating Environment of Subsidiaries in Foreign Countries (adapted from Cravens, 1982).
In view of these influences, Bartlett and Goshal (1992) distinguish between four different strategic mentalities in multinational business units, which can be used in response:

1. an international mentality where the main role of the foreign subsidiaries is to support the domestic parent company in different ways,
2. a multinational mentality with a more flexible approach to the company’s international operations by modifying products, strategies and even management practices country by country,
3. a global mentality thinking in terms of a world market and manufacturing products on a global scale in a few highly efficient plants, often at the corporate center, and
4. a transnational mentality with a more responsive approach to local needs, which retains the unit’s global efficiency.

However, none of these seem to solve our problem of limited understanding.

In addition to external variables, headquarters of highly integrated corporations will (often ad hoc) impose decisions and constraints on individual subsidiaries to maximize efficiency and total profit. These are likely to create additional distortions in performance measurements. Specific objectives set by headquarters, for example, influence tasks assigned to a subsidiary (sometimes restricting development of business functions), transfer prices, purchasing or selling requirements, headquarters cost reallocation, charges for know-how fees, and similar items, which all have an influence on subsidiaries’ cost structure. The resulting (temporary or permanent) differences prevent a direct comparison with data customarily used for analysis of domestic operations.

The managerial accounting system in multinational companies, therefore, has to provide appropriate procedures to prevent misinterpretations of actual performance. This can be accomplished by developing subsidiary specific measurement and decision support systems (Holzer and Schoenfeld, 1986; Schoenfeld, 1991). In some cases, this may even lead to a performance and economic evaluation that is based more on negotiated expectations (planning data) than on facts. This is due largely to the problem that not only past results but also future directions (goals) are part of the performance picture. Since the future is unpredictable, many data can only be developed through subjective assumptions. A management accounting system, therefore, can only be regarded as a useful management tool when it permits to deal with these issues.

There is also a necessity to increasingly incorporate qualitative data into the control process. This trend is not entirely new, but it appears to be more important in a multinational setting. The growing reliance on qualitative (subjective) assessments, for which no (strict accounting) rules can be developed, does require full understanding of issues by all individuals involved in the control process. It is absolutely critical to assure a functioning control process. This need gets even stronger the more control processes are extended to include resources (this is obvious in the cases of human and intangible resources from several countries). Their maintenance and utilization must be assessed—and that can presently be done only through the use of subjective measures (for more details, see Noerreklit and Schoenfeld, 1996).
CULTURAL VARIABLES

Different background knowledge and culturally determined value systems exist in all multinational companies, because employees grow up and are educated in different national environments and thus have non-congruent value systems. Such different values may (at a minimum) place a different emphasis on specific issues. Different emphases and values are typically placed on specific subjects during the educational process (e.g., ethics, family relationships, work, sports, art, moral contained in children stories, songs, and proverbs). Everybody exposed to more than one cultural environment has experienced these. Each of these influences (individually or jointly) will evoke slightly or substantially different reactions in people. This applies for day-to-day life as well as for management decisions as a special dimension of life. It suggests different actions to resolve similar problems (e.g., under-utilization of capacity may suggest lay-off in the US, however, in Europe—due to the existing labor law and tradition—a lay-off is too costly or unacceptable socially; similar situations exist in cases of product liabilities or other legal issues). Additional problems arise from the fact that up-to-date information (news items reported in the daily or weekly press) does not always emphasize the same issues or future prospects (e.g., economic issues such as growth, unemployment, currency issues, strikes, cost of living indices etc.). Even if the same issues are reported, they may have a different impact on the perception of individuals. Consequently, company-wide suggestions and references in discussions or memos do not evoke similar ideas for feasible solutions in managers from different segments and levels within the multinational firm. This inevitably leads to a “non-congruent understanding” of problems at hand. Normally, participants interpret issues by utilizing their personal “thought models.” Differences are likely to have a minimal impact if everybody comes from a similar environment, but an organization may become dysfunctional if backgrounds vary too widely.

Misunderstanding or different interpretations are frequently called “communications problems.” To overcome these, a minimum of additional knowledge (facts and interpretations) is required in a multinational environment. Unfortunately, the required specific information cannot be anticipated for every situation. Obviously, knowledge of both (or more) environments appears to be the optimal solution to assure full understanding. To accomplish this, companies often transfer individuals to other subsidiaries for limited time periods. This is a costly and not always effective solution, because even then sufficient background knowledge maybe missing. Attempts to avoid misinterpretation are made frequently by providing additional facts. These data are selected on the basis of what one side or one individual deems important. Unfortunately, this frequently results in redundant background data combined with the omission of some vital information. This outcome suggests that a procedure assuring “sufficiency” of information as a basis for effective communication needs to be developed, because there is no assurance that a sufficient number of managers will be exposed to extended cross-cultural experience.

To adjust to varying business environments and cultural differences, several approaches have been suggested in the literature. Perlmutter (1969) has classified multinational companies’ approaches as ethnocentric, geocentric, or polycentric. Companies operating on an ethnocentric principle, assume that their own cultural background including ways of analyzing problems, values, beliefs, language, and non-verbal communication is universally applicable. Polycentrism implies that the culture of the country in which the firm is
operating will be optimal and should be adopted. Obviously, that creates problems of non-matching cultures in the overall organization. Others, finally, use the principle of geocentricism. That is the belief that a synergy of ideas from different countries of operation should prevail. This, in turn, requires a common framework with enough freedom for individual locations to initially operate regionally to meet the cultural needs of their employees. It, however, also implies that eventually cultures will merge and converge. All of these approaches assume usable final results, but do not deal with the conflict potential before such results emerge.

**UNDERSTANDING THE CONTROL TASK IN A MULTINATIONAL FIRM**

Traditional control theories either take an ethnocentric approach using a top down method (Anthony and Govindarajan, 1994; Kaplan and Norton, 1996) or a polycentric approach advocating a high degree of autonomy for subsidiaries (Chandler, 1962). Neither addresses the inherent problems of conflict or misunderstanding. Only recently, Simons (1995a,b) has suggested a more interactive method. Simons (1995a) developed a control framework with the purpose “to encourage employees to initiate process improvement and new ways of responding to customers’ needs—but in a controlled way.” For this purpose, he suggests the utilization of four levers of control: diagnostic control systems, beliefs system, boundary system, and interactive control.

Diagnostic control systems are the traditional approach; they use tools such as setting targets, measuring output, comparing output with preset standards, and the necessary feedback to management thus permitting fine tuning inputs and processes to assure that future outputs will more closely match goals. However, diagnostic controls are not sufficient to ensure effective control, because they may enforce dysfunctional short-term behavior if there is pressure (for example to obtain difficult performance targets). To avoid dysfunctional reactions diagnostic controls need to be supplemented with a belief and a boundary system. The belief system articulates values and direction that senior managers want their employees to embrace. It draws their attention to “how the organization creates value” (“Best Customer Service in the World”); the level of performance the organization strives for (“Pursuit of Excellence”); and how individuals are expected to manage both internal and external relationships (“Respect for the Individual”). The boundary system is the opposite; it articulates the values and directions that employees should not embrace.

While the diagnostic system identifies shortfalls it is in itself not sufficient to explore emerging threats and opportunities. Therefore, senior managers need an interactive control system. That is a scanning system with the purpose of finding new products, line extensions, processes, markets, etc. It is interactive because senior managers participate, regularly and personally, in the decisions of the subordinates and focus organizational attention and learning on key strategic issues. “Interactive control systems have four characteristics that set them apart from diagnostic control systems. First, they focus on constantly changing information that top-level managers have identified as potentially strategic. Second, the information is significant enough to demand frequent and regular attention from operating managers at all levels of the organization. Third, the data generated by the interactive system are best interpreted and discussed in face-to-face meetings of superiors, subordinates, and peers. Fourth, the interactive control system is a
catalyst for an ongoing debate about underlying data, assumptions, and action plans (Simons, 1995a)."

Any interactive system inevitably requires cultural understanding. This brings to the foreground again the issue of acculturation. This is the process of adjusting and adapting to a new culture to overcome the existing enculturation (the initial socialization process each individual has undergone to adapt to his/her own cultural environment). It remains an open question whether acculturation can be fully accomplished. In some areas, acculturation may not even be necessary, because only issues matter that have a direct impact on business operations. It is, however, not clear which areas these are and whether the same issues will be relevant at all times. Thus the potential for misunderstandings may remain ever present. The problems can be overcome—at least partially—through "intercultural" business communications’ as some authors claim (Chaney and Martin, 1995).

From this brief discussion it is apparent how difficult, inefficient, or almost impossible it may become to manage large-scale multinational operations by using exclusively technical accounting adjustments. Such tools do not assure full understanding on the management level. However, this problem does not necessarily concern the entire management hierarchy. Rather, it is limited to management groups for whom continuous interaction is required, that is groups (or individuals) charged with the task to provide linkage. These groups are identified in Fig. 2 for both headquarters and the

![Diagram](image-url)

**Figure 2.** Organizational Levels for Whom Understanding is Required.
subsidiaries. The linkages required have to occur at both the strategic and the management control level.

Even if only selected groups of managers are involved, it is still important to explore the issues in depth. Therefore, this article aims to develop a model for overcoming misunderstandings. First, an approach to analyze the understanding issue in a multinational firm is suggested. Second, a method for dealing with some of the problems in the control process will be addressed.

**INDIVIDUAL THINKING AND CONTROL**

A firm can be viewed as a social construction created by human beings (Berger and Luckmann, 1966). Within it, each human being has his/her individual way of thinking about and understanding of reality. Based on this understanding managers of a company create, for example, outside contacts, internal management controls and accounting systems, make decisions, etc. Their model of thinking and interpretation of reality will eventually determine which strategies are to be developed, which resources will be acquired, which type of control system will be used, how new relationships will be integrated, etc. The individual firm’s model of thinking, therefore, is created by its managers and is culturally determined by their backgrounds.

A manager as a human being is complex, adaptive, and creative, but also consistent in his/her way of thinking and acting as a result of his/her subjective logic (Hegel, 1963, part II). Subjective logic in this context is the model of thinking by which an individual perceives, understands, and interprets reality. It is a pattern of rationality according to which experience and observations are arranged. It determines how people argue, decide, and act, and it in turn determines an individual’s picture of reality, i.e., how other people, economic theories, competition, etc. are viewed. This subjective approach is called logic, because it is a question of arguing and thinking in terms of concepts. The logical aspect covers everything individuals are able to find out with reason. It is the rational element commonly found in our abilities to calculate and reason in a stringent manner, which represents the formal aspects. Mathematics, statistics, formal logic, and the like are recognized disciplines. Logic is, however, also a question of reasoning with concepts essential to our lives. This skill is generally overlooked in society, where it is often substituted very inefficiently by attempts to make “objective” investigations. A person’s reasoning with concepts is subjective, because it is learned and developed over time in a social process. It is not an instinct people are born with, but created by an individual’s experience, upbringing, and education, interaction with others, etc. and develops differently in each individual. Its existence can be observed in concepts and arguments used in disagreements between people. To a great extent, education, experience, and social relationships determine and influence how people think and act. Thus, there are differences in the subjective logic of, for example, economists, accountants, engineers, and designers, Frenchmen and Germans, men and women, Catholics and Protestants, to mention just a few. The culture of the country in which an individual has been raised and lives and the education received determines a person’s subjective logic (enculturation). In a business setting, the subjective economic logic as a pattern of rationality determines how employees actually interpret and
understand management control and accounting tasks as well as the economic situation of the firm.

All business interactions of human beings are based on their subjective economic logic; their joint actions, however, are controlled by their social logic. Social logic (Noerreklit, 1987) is an intra-organizational model of thinking (intra-organizational model), arising from common ideas, interpretations, and patterns of thought a group uses when deciding and acting. The model is created through continuous interaction and represents the common ground for cooperation. This intra-organizational model is created jointly by its participants and (at the same time) continuously influences them.

The “dominant” intra-organizational model determines the concepts according to which cooperation actually occurs. Fig. 3 illustrates how people with different individual models of thinking, i.e., their subjective logic, create a joint field for ideas, interpretations, and patterns of thought, an intra-organizational model.

It should also be noted that organizations usually have more than one intra-organizational model. These models are in conflict with each other. This can be observed when comparing groups such as top management, financial departments, factory foremen, workers, etc. interacting with each other. In a multinational company the problem is aggravated by the diverse cultural and environmental backgrounds in each subsidiary. Fig. 4 illustrates parent company and subsidiary interaction of intra-organizational models.

The only common area of understanding for the entire organization is the inter-organizational model of thinking (inter-organizational model), which is created by joining several intra-organizational models. The remaining gaps between intra-organizational

**Figure 3.** Subjective and Intra-Organizational Models of Thinking.
models are the causes for non-understanding and thus the cause for potential conflicts. However, if used constructively, these may represent a potential for new opportunities. These “white spaces” are areas of potential growth and “value migration” (movement of ideas from one industry/subsidiary to another). Gaps may be used to induce new (strategic) ideas for development of the company. However, to assure understanding and common concepts, it is necessary to develop the intra-organizational models for all interacting groups. For this purpose, a method to develop the intra-organizational models is needed (Fig. 5).

Figure 4. Intra-Organizational and Inter-Organizational Models of Thinking.

Figure 5. Developing an Inter-Organizational Model of Thinking.
The intra-organizational model constitutes the “company culture” of the subsidiaries, and the inter-organizational model of a multinational group its corporate or group culture. Since all social structures are created by human beings and at the same time influence individuals; the development of models requires a continuous interaction—voluntary and involuntary—between existing models. This point of view is also shared by Giddens (1984).

Unfortunately, models of thinking cannot be observed directly. However, language (for the language dimension, see Wittgenstein, 1962) can be used as a tool for understanding and building a bridge connecting different “understandings.” This implies that the area of common understanding (overlap between different intra-organizational models) can be enlarged. The inter-organizational model, however, can only be communicated by using intra-organizational models, because only in the latter the concepts and language of the “world” in which the employees live, think, and interact are to be found. Therefore, control of a multinational company implies influencing the relevant intra-organizational models.

Based on the above framework, the tools and methods to effectively enlarge areas of understanding will be described. Accounting and control theories are used as a sample in which concepts are developed into a common area of understanding. Common understanding needs to be developed to assure cooperation, because—as stated before—it is insufficient to construct technical models only. To accomplish this goal it is necessary to use a method, which will help participants to understand and accept such a system. Since language is the major tool, a language bridge should be build to connect the theoretical to the actual system. This makes it possible for subsidiary and headquarters managers to reach consensus by means of a common language.

A METHOD TO IMPROVE THE CONTROL SYSTEM FOR MULTINATIONAL FIRMS: DESCRIPTION OF THE ACTORS METHOD

The actor method described here is general; it can be used for all kinds of conflict resolution. For illustration purposes, the description provided concentrates on the development of a performance evaluation system. The term facilitator describes the individual responsible for the process.

The “actor method” (Arbnor and Bjerke, 1997) is an established tool to both develop and influence thinking and acting. It is a continuous process of interactions and reflections. Dialogue rather than questionnaires are used to avoid pre-categorized patterns of thinking. A dialogue is a dynamic and reflective process of conversation between two or more persons; participants ask questions and give answers. The participants are creatively and logically challenged describing issues and searching (together) for concepts and models of understanding. Each participant’s concepts and thoughts of reality are reflected in the dialogue and will (it is hoped) develop further. The method is structured to understand and influence actors (participants). The goal is to maintain motivation and engagement necessary to facilitate development of individual models of thinking (subjective logic); validity depends on the extent to which this is accomplished.

The actors’ method is different from a positivist approach. In positivism, reality is concrete and subject to rules and/or natural laws. It has a structure independent of the observer (Arbnor and Bjerke, 1997). However, validity in positivism emphasizes the objectivity of reality. Knowledge should be factual and as unspoiled by “biased”
subjective impressions as possible. Validity exists to the extent to which statements, descriptions or theories are correct or true.

To develop the actor’s models of thinking and concepts of reality the facilitator uses a dialectic strategy. First he creates a bridge between his own and the participant’s concept of reality. He accomplishes this by being open, avoiding prejudice, and accepting the ideas and understanding offered. Next, he creates an anti-thesis by introducing other interpretations. Finally, he attempts to develop a common understanding through synthesis (Noerreklit, 1986). These steps (phenomena) are not sharply separated and occur continuously.

Fig. 6 illustrates such a dialogue. In it a development in both participants’ models of thinking is noticeable. First, performance evaluation measurements are discussed moving from return on investment to goodwill (including non-financial criteria). Second, a gap

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**Facilitator:** How do you think the performance of your division should be evaluated?

**Manager subsidiary:** Return on investment.

**Facilitator:** Would that be a correct reflection of your effort and of the economic position of your activity?

**Manager subsidiary:** Not quite, I am administrating goodwill - and ROI does not reflect that sufficiently.

**Facilitator:** Then goodwill should be included in your performance measures. It is also important for the Headquarters management to know about that.

**Manager subsidiary:** Yes, but how should we measure it?

**Facilitator:** We could measure customer satisfaction? Would that be okay?

**Manager subsidiary:** Yes, and satisfaction of the employees and the conditions of buildings and equipment?

**Facilitator:** How do you define goodwill?

**Manager subsidiary:** Goodwill is the issue of having sufficient resources to plan and operate in the future. Financial results are historical and do not reflect whether we are in good position to make a profit in the future.

**Facilitator:** Kaplan has come up with the balanced scorecard as a framework for translating strategy into operational terms. It suggests four areas of measuring Financial, customer, internal business process and learning and growth. He sees a cause and effect relationship between the four chains starting with learning and growth. Do you think that will do it?

**Manager subsidiary:** It may give some inspiration, but I am not sure that it includes the areas, which we consider important in our strategy. You can see here, which areas we include in our strategic plan. Furthermore, I do not see the relationship between the resources like you described it. I see the areas as equal areas, which should all be given attention for development.

**Facilitator:** We could find measures for each of these areas described in your strategic plan. Furthermore, we could measure if they are sufficiently developed.

**Manager subsidiary:** Yes that will be a good idea. Do you have any literature on and suggestions of how these can be measured?

**Facilitator:** I will find some for our next meeting.

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**Figure 6.** Example of Parts of a Dialogue (extract from a case study in a Danish company).
appears in the participants understanding of goodwill, which is clarified. Third, there is an argument from the balanced scorecard, which addresses cause and effect relationship between the subsidiary’s strategic plan and its cohesion with resources.

The results of this (linguistic) method are not guaranteed; they depend on the ability of the facilitator to create a meaningful dialogue (Noerreklit, 1986). Success requires to encourage expression of ideas from participants, and to abstain from introducing his own preconceived ideas. He/she must be able to gain the confidence of participants and to express a different opinion without jeopardizing confidence. Thus opportunities for developing concepts and contributions to thought models are created. That implies the facilitator should:

1. listen carefully and attempt to recognize opinions and signals from dialogue participants;
2. interact with participants in a language they are able to understand;
3. hold back his own emotions;
4. show respect in spite of disagreements;
5. be psychologically flexible;
6. be sensitive to situations, and
7. be able to guarantee confidentiality.

The participants in the process should be selected managers responsible for linkage from both subsidiaries and headquarters. To be successful it is important that the overall strategy of the multinational firm has been formulated, communicated, and understood beforehand by the managers of the subsidiaries. Mintzberg (1987) emphasizes that frequently a gap between the planned and the actual strategy exists. To avoid this, top managers should have a basic understanding of the subjective and intra-organizational models of the entire group involved in strategy development. The dialogue described above is an important tool in this process of understanding and should be part of the management style. Top managers should provide “guidance to organizational members as to where to look for surprises and what type of intelligent information to gather” (Simons, 1992). Subsidiary managers must do similarly, to link their own understanding to the understanding of their employees.

THE FOUR PHASES OF THE METHOD

The actor method consists of four phases: (1) pre-understanding, (2) understanding, (3) diagnosis, and (4) post-understanding. Throughout the processes, the facilitator alternates between interacting with all participants and reflecting on the material gathered. The four steps can be described as follows.

Pre-Understanding Phase

The facilitator gathers all available information about the group as a whole, the situation, and problems of the subsidiary. This includes (i) the general situation, history and economic problems, (ii) strategy and mission, organization, and responsibility
structures, and (iii) the administrative setup, existing performance measurements, and their problems. The information is collected from documents and preliminary dialogues with headquarter managers. Then, a preliminary analysis of existing control issues and expected results is compiled. This step is preliminary because the actual picture may change over time as more information is collected. Often, one kind of problem after closer analysis may turn out to change in nature. This openness of the process is unique for this method and distinguishes it from others, which frequently start with a predetermined theory or a predetermined control model. Finally, the facilitator summarizes the task at hand by identifying theories and constructing a theoretical control system. In this process, options and resource demands should be identified and managers for further control process development should be selected.

Understanding (Analysis) Phase

The facilitator attempts to form a picture of (i) headquarters management’s skills in and motivation for developing a control system, the prevailing subjective logic and the intra-organizational models of thinking, including the perception of the company’s strategies, goals, and missions assigned to the subsidiaries, financial and non-financial performance concepts, other identifiable targets, and the results expected from the management control system; (ii) the same information about the subsidiary’s management; (iii) areas of coincidence and differences between these two “understandings” are determined through dialogues. During this process, the facilitator continuously reviews the information as it accumulates. He searches for the level of understanding and meaningful concepts and structures in the subjective economic logic of all participants. From this he may be able to determine the prevailing intra-organizational model. Then, he analyzes its comprehensiveness, consistency, and existing conflicts within and between subjective/intra-organizational models. Finally, he devises additional dialogue steps to clarify and develop an intra-organizational model with sufficient common ground to develop a functional control concept.

The individual managers’ demands and hopes should provide basic ideas for such a comprehensive control system. Preferable these ideas are presented repeatedly to all participating managers. This group together with the facilitator has to discuss, comment on, and combine these ideas. During this process the managers knowledge and understanding of the intended system and its underlying ideas will develop gradually. At the same time, the participant’s engagement, their abilities for developing and using the system, and their capabilities for cooperation can be evaluated. These results will emerge, because managers are continuously confronted with new procedures and ideas for the project, i.e., suggestions for systems enhancement, perceived problems, new options, and requirements for procedural formalization of control and accounting task. The following examples show the type of issues, which might emerge:

Example 1: Headquarters’ management had a strategy to increase the overall profitability by reducing non-value-adding activities. The subsidiary management did attempt to improve results by increasing sales through stepped-up marketing efforts and investment in new
equipment. In the subsequent dialogue, a performance measure was developed that reduced scrap, non-value adding activities, and permitted minor investment in equipment.

Example 2: A German subsidiary experienced environmental problems with its packaging materials due to strong negative reaction from society. The US headquarters’ management was not fully aware of the magnitude of the problem, because the problem is not currently an issue in the parent company.

Diagnostic (or Evaluation) Phase

Existing problems are identified. These are often traceable to multiple causes such as existing control procedures and goals, organizational issues, subjective economic logic of the managers, conflicts between intra-organizational models, employee motivation, employee relationships, and level of cooperation, to name just a few. In this phase at least the following issues should be evaluated:

1. the managers’ understanding and acceptance of the existing system;
2. the capability of the system to solve control problems (adaptability);
3. required system development tasks to overcome problems, close gaps, and add new concepts.

These findings in turn need to be discussed with all participants and should lead to the identification of new procedures or steps to solve some problems immediately and prevent additional problems in the future.

Solutions are often difficult to find particularly when there are gaps and conflicts in the managers’ demands and understanding. The situation is aggravated when a firm has strategic and financial problems, and when stability of operations is difficult to obtain. In these cases, the suggested method seems to be especially important, because it does not view conflicts as just problems or expressions of emotions. Instead, these are analyzed and utilized to find the cause(s) and character of problems. In this situation language serves as tool to influence patterns of thinking. Even if potential solutions are evasive or are rejected, the method at least uncovers causes and creates understanding about the background and reasoning that led to the existing solution.

Post-Understanding Phase

Implementation of new systems and related procedures should be instituted. During test runs, continuous feedback from the managers is required and may result in continuous dialogues. These enhance knowledge and increase understanding at all levels and may even initiate a change of concepts.

Experience with the actors method shows that the dialogue technique is successful, because it gives participants a feeling, that their situation, thoughts, and contributions
are taken into consideration and that they receive increased attention. As a consequence, they usually become more interested and engaged in the project and gain additional confidence. Experience also shows, that a system emerging from a dialogue will have a higher degree of simplicity and applicability than the initial version of a strictly theoretical system.

CONCLUSION

The efficient and effective utilization of management accounting and control systems in multinational corporations require both an adaptation to and a development of the intra-organizational models of both the headquarters’ and subsidiary management. Only this will create a sufficiently large area of common inter-organizational thinking. Therefore, it is important (i) to understand and influence the pattern of management’s thinking, and (ii) to adapt the management control and accounting models to these patterns. For this purpose, the actor method is a possible tool.

This method seeks to translate management accounting, control theories, and existing practice into a language understood by all managers involved. The method should be used continuously during all periods of systems development, implemented or change. As a result, problems with implementation could be minimized.

The method focuses on understanding and influencing underlying thought models. If a person is not capable of understanding and interacting with subjective logic, he/she will fail to communicate and influence coworkers. By using a strategy of dialogue, the actor method becomes a systematic tool, which facilitates understanding models of thinking used by managers. This method does have a greater success potential than others for resolving problems and conflicts by a coordinated integrated effort. It first exposes and then adjusts existing models of thinking thus permitting joint understanding and actions at all level of a multinational organization.

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