

THEORETICAL APPROACHES TO MANAGEMENT CONTROL SYSTEMS

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ABSTRACT:

This paper builds on conceptual frameworks developed in several prior works (Laughlin, 1995; Fleishman, Kalbers and Parker, 1996; Savall et al. 2001) by arguing that theoretical approaches to management control systems have been hampered by the idea that such systems can be externally imposed and intentionally designed. Accounting research typically assumes that management control systems can be externally imposed in order to increase the efficiency and effectiveness of the organizations in which they exist. The weakness of this approach lies in its tendency to emphasize only economic measures of efficiency and effectiveness to the detriment of other measures. Alternatives to the mainstream approach have also been discussed in the literature. These alternatives focus more on social aspects of human interaction in organizations, including issues of power, conflict, domination and other aspects of organizational life. However, even these approaches to management control systems suffer from the assumption that such systems can be externally imposed either for good or evil purposes. The question of whether a management control system can be externally imposed is therefore more fully discussed in relation to Giddens' theory of structuration and Savall et al's theory of *Socio-Economic Approach to Management*.

Keywords: management control systems; theoretical and methodological approaches to research; structuration theory; Socio-Economic Approach to Management; accounting research

INTRODUCTION

Economics based models underlie most accounting research, regardless of whether the research is explicitly economics based (e.g. agency theory) or whether the research allows variables that are not explicitly economic in nature (e.g. contingency theory). The main drawback of economics based approaches lies in the restrictions imposed by economic reductionism (Baker and Bettner, 1997). Alternatives to the mainstream are proposed in the literature. These alternatives focus more on social aspects of human interaction in organizations, including questions of power, conflict, domination and other aspects of organizational life. This paper examines a number of theoretical approaches to management control systems (MCS) research. Each discussion includes a critique of the approach, exploring both its strengths and weaknesses. The

purpose of these discussions is to demonstrate that existing theoretical approaches to MCS research are hampered by the premise that such systems can be externally imposed, either by managers seeking to achieve efficiency and effectiveness, or by persons who want to control, dominate and exploit others to achieve their ends.

The remainder of this paper is organized as follows. The following section contains several sub-parts that discuss differing theoretical approaches to MCS. Each discussion is followed by a critique of the respective approach. These discussions are followed in turn by a section discussing an alternative way of approaching MCS. Finally, there is a section addressing the question of whether an MCS can be externally imposed. A summary section concludes the paper.

THEORETICAL APPROACHES TO MCS

During the last forty years, a number of authors have sought to clarify and improve our understanding of management and accounting theorization by examining the perspectives underlying various theoretical approaches to research (see for example: Burrell and Morgan, 1979; Hopper and Powell, 1985; Chua, 1986; Laughlin, 1995; Fleishman, Kalbers and Parker, 1996; Llewellyn, 2003; Berry et al., 2009). This paper will not attempt to reinvent this literature; rather it seeks to utilize frameworks developed by others in a heuristic way to discuss deficiencies in MCS research. The paper relies significantly on frameworks developed in previous papers, namely: Laughlin (1995), Fleishman, Kalbers and Parker (1996), and Savall et al. 2001).

Laughlin (1995) classified accounting and management research along three dimensions: (1) theorization, (2) methodology, and (3) change choice. The *theorization* dimension of Laughlin's framework concerns the ontological assumptions of the researcher about the world being investigated. A "high level of prior theorization is indicative of an assumed material world existing separately from the observers' projections and biases and which, despite empirical variety, has high levels of generality and order, and has been well researched through previous studies" (Laughlin, 1995, p. 66). Conversely, low levels of prior theorization "assume that the world is not material, that it is a projection of our minds, and since such projections differ, generalities are impossible." Laughlin's *methodology* dimension concerns the question of whether the research methods employed by the researcher are highly defined, thereby implying that the researcher is largely irrelevant in the research process, or whether the researcher is permitted or encouraged to be involved in the observation process unfettered by specific methodological rules and regulations (Laughlin, 1995, p. 67). The *change* dimension reflects whether the primary purpose of the research is to effectuate change or whether there is little emphasis on change. Various theoretical approaches to research are classified by Laughlin as shown in Figure 1.

*****Insert Figure 1 here*****

The diagonal running from the upper left corner to the lower right corner of Figure 1 indicates that positivist approaches to management and accounting research can be characterized as having high levels of prior theorization and highly defined methodologies. Positivist approaches also have a low degree of change emphasis. By contrast, interpretive approaches are characterized by low levels of theorization and less well defined methodologies. Some interpretive approaches may also have a low emphasis on change. The "middle range" approaches, represented by German Critical Theory, Labor Process Theory, Structuration Theory and certain strands of French Post-modernism, involve high to moderate levels of prior theorization, moderate to low levels of methodological definition, and high to moderate levels of change emphasis.

Fleishman, Kalbers and Parker (1996) have also addressed theoretical approaches to accounting and management research. They argue that there have been three distinct theoretical approaches to management control research: the mainstream Neoclassical Economics approach (positivist); the Marxist or Labor Process approach; and the Foucauldian approach (a strand of French Post-modernism). Fleishman et al. argue that the central concerns of these three approaches can be described respectively as: efficiency and effectiveness; conflict; and power and control. Even though the classification scheme developed by Fleishman et al. is less fully developed than that of Laughlin (1996), it can serve as a useful heuristic device to discuss deficiencies in existing theoretical approaches to MCS. The three-part classification scheme of Fleishman et al. will be employed as a framework in the sections that follow to discuss differing theoretical approaches to MCS.

The Positivist Approach

Mainstream research focusing on MCS can be characterized as having an underlying theoretical and methodological approach based on positivism. Figure 1 indicates that positivist approaches have high levels of prior theorization, highly defined methodologies and low levels of change emphasis (Laughlin, 1996). In addition, mainstream research assumes that an MCS can be intentionally designed to achieve efficiency and effectiveness. Fleishman, Kalbers and Parker (1996) cite works by Chandler (1977), Williamson (1975), Johnson (1981), Johnson and Kaplan (1987), Fleishman and Parker (1991, 1992), indicating that the primary purpose of cost accounting systems during the industrial revolutions in Great Britain and the United States was to measure the costs of production in order to achieve economic efficiency.

Anthony (1965), one of the leaders of management control research in the United States, defined management control as "the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives". Langfield-Smith (1997) indicates that Anthony's definition has encouraged accounting researchers to view MCS in terms of accounting-based controls designed for planning operations, monitoring activities, and measuring performance. A large body of research has been devoted to examining the economic efficiency and effectiveness of MCS (e.g. Abernathy and Brownell, 1997; Anthony, 1965;

Archer and Otley, 1991; Banker et al., 1993; Briers and Hirst, 1990; Chapman, 1997; Chenall and Langfield-Smith, 1998; Dearden, 1987; Den Hertog, 1978; Dent (1991); Flamholtz, 1983; Govindarajan and Gupta, 1985; Merchant, 1985; Otley and Berry, 1980; Shields and Shields, 1998; Alcouffe et al., 2008; Cappelletti, 2008).

An important subset of the positivist approach to the study of MCS is agency theory. Agency theory assumes that organizations are composed of individuals who enter into explicit and implicit contracts with one another and that MCS can be designed to monitor and enforce these contracts. Pursuant to agency theory, the contracts between individuals are construed in such a manner that one party is deemed to be a principal and another party is deemed to be an agent of the principal with respect to a certain tasks. It is assumed that there is information asymmetry between the principal and the agent whereby the agent is in possession of greater and more accurate information than the principal, and that the agent is motivated to misrepresent this information. Therefore, the principal finds it to be in his or her interest to design the MCS in order to control the actions of the agent (see for example: Achian and Demsetz, 1972; Baiman, 1982; Feltham, 1994; Gietzmann, 1995; Healy, 1985; Jensen and Meckling, 1976; Salamon and Smith, 1979; Watts and Zimmerman, 1986; Otley, 2003).

Agency theory has played an important role in the mainstream positivist literature. There are two reasons for the importance of agency theory in this line of research. First, agency theory has been a major research paradigm in leading North American journals, and the path to promotion and tenure at top American business schools often leads through the agency theory door. Second, agency theory has offered an appealing target for critical accounting researchers, thereby fostering a growing body of research focusing on critiques of agency theory (e.g. Armstrong, 1991; Broadbent et al., 1996; Cooper and Puxty, 1994; Hunt and Hogler, 1990; Laughlin, 1987; Macintosh, 1994; Roslender, 1992, 1997; Walker, 1989; Chiapello, 1996).

Contingency theory is another important subset of research within the mainstream positivist approach. The primary focus of contingency theory is on identifying variables that are correlated with high organizational performance (e.g. Otley, 1980; Briers and Hirst, 1990; Langfield-Smith, 1997; Chapman, 1997; Shields and Shields, 1998). An enormous amount of research effort has been expended on contingency theory research without a great deal to show for it. The work of Hofstede (1980, 1991) dealing with the effect of culture on MCS might also be considered to be a variation on contingency theory. Recently another variation on contingency theory has emerged involving a conflation of contingency theory and strategy research. This line of research posits that organizational performance can be enhanced if MCS are purposefully designed to facilitate a particular management strategy (Johnson and Kaplan, 1987; Shank and Govindarajan, 1993; Shields and Young; Selto et al, 1995; Chenhall and Langfield-Smith, 1998; Jorgenson and Messner, 2010).

Criticisms of the Positivist Approach

Criticisms of the positivist approach fall into one of three related categories (Bettner et al. 1994). Firstly, rigidity in the underlying assumptions caused by high levels of prior theorization (see Figure 1) adversely affects the ability of the approach to achieve deep understandings of complex social realities. Second, highly defined methodologies have led to an emphasis on measurement for measurement's sake. Third, research methods based on the analysis of quantitative data have been so exhaustively employed that they have reached a point of diminishing returns.

Accounting and management constitute a socially constructed and subjective reality. Therefore, the scientific method -- wherein relationships among naturally occurring phenomena are assumed to be enduring, quantifiable, and objectively determinable -- is an incorrect paradigm that limits perspectives when doing research. Bettner et al. (1994, p. 4) make the following observation regarding objectivity as it relates to the adherence to the scientific method in accounting and management research:

There is a natural tendency for researchers to duplicate the methods of the natural sciences in order to duplicate their successes, but this cannot be done without making the assumption of objectivity implicit in the methods. The implications of this tacit assumption are never addressed. Objectivity also has the appearance of certainty that is missing from subjectivity. It is comforting to believe that measurement is correct or incorrect or that a theory is verified or falsified regardless of who it is making the measurement or testing the theory. With objectivity, we can pretend to ignore the ambiguity surrounding things that are neither right nor wrong, neither good nor bad (Bettner et al., 1994, p. 4).

Approaching research in a manner comparable to a natural scientist is inappropriate and can result in distorted representations of reality. A great deal of mainstream research has ignored alternative methods which may be more effective in examining the organizational and social implications of MCS. Many mainstream researchers have become enchanted with methodological rigor and have avoided attempts to develop critical perspectives or interpretive methodologies (Power and Laughlin, 1992; Walker, 1989; Williams, 1989; Power, 2007).

Exhaustive Use and Obsolescence. Quantitative methods have become so extensively examined that the incremental value of elaboration has become negligible. Grappling with the more is better argument, Campbell, Daft, and Hulin (1982) note that the popularity of a particular research paradigm does not necessarily relate to its relative contribution to knowledge. On the contrary, it is often the more controversial pursuits that contribute most to knowledge. The conservative nature of the accounting discipline makes it fearful of innovative and controversial pursuits. Another possibility is that because mainstream management research is so closely associated with business practices, it has assumed a posture of being scientific and value free so that it does not disturb an important constituency.

The next section will discuss an alternative to the mainstream positivist approach to research, namely the Labor Process Theory approach.

The Labor Process Theory Approach

As indicated in Figure 1, Laughlin (1995) suggests that Marxist and German Critical Theory approaches to research are characterized by high to moderate level of prior theorization, moderate to low level of methodological definition, and a high degree of emphasis on change. Although Laughlin (1996) did not specifically include Labor Process Theory in his classification scheme, it has been included in Figure 1 as type of Marxist or neo-Marxist approach. In their three-part classification of cost accounting historical research, Fleischman, Kalbers and Parker (1996) indicate that Labor Process Theory is a neo-Marxist approach. This is not to say that Labor Process Theory encompasses the totality of contemporary Marxism; there are many strands of contemporary Marxism, of which Labor Process Theory is one.

Fleischman, Kalbers and Parker (1996) suggest that accounting researchers who have adopted a Labor Process Theory approach have generally moved away from economic reductionism to a broader examination of the social, cultural and political underpinnings of organizations and society. The work of Braverman (1974) has often served as a theoretical underpinning in this area. A number of accounting researchers have adopted a Labor Process Theory approach to accounting research (e.g. Hopper et al., 1986; Hopper et al., 1987; Hopper and Armstrong, 1991; Puxty et al., 1994; Roslender, 1990, 1992). Fleischman, Kalbers and Parker (1996) point out that the researchers who rely on Labor Process Theory have developed a distinct understanding of the nature of conflict and resistance in organizations and society (Armstrong, 1986; Boreham et al., 1986). At the same time, Fleischman et al. quote Smith (1994) to the effect that one of the foci of Labor Process Theory "was to restore exploitation, class, and class conflict to their central place in the analysis of work under capitalism." Accounting researchers who employ Labor Process Theory and other similar critical approaches have been highly critical of positivist accounting research (Neimark, 1990; Tinker et al., 1991; Tinker, 1991), pointing out that the "conflictual underpinnings" of positivist research have been designed "to bolster particular interest groups" (Tinker et al, 1982, p. 167) and that they have been used as "ideological weapons" in the struggle over wealth distribution in society and organizations (Tinker et al, 1991, p. 37).

Comments on the Labor Process Theory Approach

While Labor Process Theory has produced a number of interesting critiques of capitalism, as well as critiques of mainstream positivist accounting research, there are certain counter-comments which might be raised about this approach. The primary counter-comment would be that this approach does not offer recommendations regarding the better functioning of organizations in society. The lack of emphasis on recommendations for the better functioning of organizations in society is understandable if doing so would primarily benefit the managerial classes. However, an added counter-comment deals with the apparent assumption that MCS can be intentionally designed to foster capitalist hegemony. The question of whether a MCS can be intentionally designed for any purpose will be discussed in a later section.

The Foucauldian or Post-Modern Approach

The third part of Fleischman, Kalbers and Parker's (1996) three-part classification of cost accounting historiography is referred to as Foucauldian analysis, which takes its grounding from the work of Michel Foucault. It is difficult to classify the Foucauldian approach within the Laughlin (1996) framework shown in Figure 1. This is because Foucault himself resisted classification and categorization. If the Foucauldian approach is assumed to be an element of French post-modernism, then according to Figure 1, this approach might be viewed as having a moderate level of prior theorization and a low level of methodological definition. The level of change emphasis tends to be low, although this is unclear in Foucault's work.

Foucault focused on the historical development of disciplinary practices in mental asylums, prisons, military barracks, schools and other similar institutions having aspects in common with factories and other modern organizations. Foucault examined the evolution of disciplinary practices and discourses for the purpose of investigating how dominant forms of rationality come to be established. His aim was to trace how certain practices and discourses (e.g. MCS) form individuals into compliant members of society, thus obviating the need for explicit organizational controls. Examples of accounting research which relies directly or indirectly on a theoretical grounding in the work of Foucault include: Hoskin and Macve (1986, 1988); Hopwood (1987); Miller and O'Leary (1987); Miller and Napier (1993); Walsh and Stewart (1993); Quattrone en Hopper (2005).

Comments on the Foucauldian Approach

Neimark (1990) has criticized Foucauldian research as being relativist, and that as a result, it cannot provide social critique and therefore that it is of little help in changing society. Neimark also argues that the Foucauldian approach is anti-rational and neo-conservative. Hoskin (1994) disputes this view, indicating that Foucault's project was not anti-rational but rather a reasoned critique of the history of reason. Foucault's work "did critique materialism in the sense that it rejected the ideal/material dichotomy...; but this was only to further the critique of traditional idealism that dialectical materialism had launched" (Hoskin, 1994, p. 57).

Another important criticism of the Foucauldian approach is that it focuses on the oppressive nature of power to the exclusion of enabling aspects of power. Arguably, power can be seen as a dual-edged sword, with both oppressive and facilitating aspects; structuration theory, as developed by Giddens (1979, 1984, 1987), supports this view. Macintosh (1995) suggests that Giddens's structuration framework, and particularly the idea of *dialectic of control*, is well suited for analyzing issues of power and control in organizations. Giddens argues that morality, power and signification are inextricably intertwined in any social system. The dialectic of control analysis approach reveals the interconnection between power, control, signification and morality. While many theoretical and

methodological approaches to research tend to privilege human agency over social structures, structuration theory incorporates both social structures and human agency within its framework. For Giddens the dual aspect of power is revealed in the following manner:

Sanctions only very rarely take the shape of compulsion which those who experience them are wholly incapable of resisting, and even this can happen only for a brief moment, as when one person is physically rendered helpless by another or others. All other sanctions, no matter how oppressive and comprehensive they may be, demand some kind of acquiescence from those subject to them- which is the reason for the more or less universal existence of the dialectic of control (Giddens, 1984, p. 175).

Laughlin (1995) located Structuration Theory and French Post-modernism in close proximity to one another (see Figure 1), indicating that there may be parallels in these two approaches. While it is unclear whether the Foucauldian approach can be truly classified as a type of French Post-modernism, there are some similarities between the Foucauldian approach and Structuration theory as advanced by Giddens (1979).

WHY DO MANAGEMENT CONTROL SYSTEMS EXIST?

A commonplace answer to the question of why MCS exist is that organizations externally impose them to accomplish their objectives. This is a functionalist response, the acceptance of which within the positivist framework has reached the point of being a self-evident statement. However, when viewed from an alternate perspective, this self-evident status begins to founder on a range of methodological issues, not the least of which is, who is it that decides what the objective is. To move from the commonplace answer to the economic reductionism of the positivist approach is highly simplistic; consequently, this paper argues that the theoretical and methodological premises underlying much of the research utilizing agency theory or contingency theory are deficient. Neo-Marxist approaches have some merit in providing critiques of capitalism as well as positivist accounting research, but these approaches share the structural-functionalist views of the positivist approach by assuming that MCS can be externally imposed. This paper argues that there needs to be a deeper understanding of power and control in organizations and the manner in which power can be both oppressive and enabling. In this vein, the Giddens' Structuration theory and Savall et al. theory of Socio-Economic Approach to Management have features which recommend them as theoretical approaches for understanding MCS.

*****Insert Figure 2 here*****

One way to address the question of why MCS exist is to examine the level of analysis at which such systems are said to be designed. For example, the positivist approach concentrates on the optimization of economic variables in regard to a particular economic entity (see Figure 2). As Figure 2 points out,

there may be another level of analysis which is more “person” specific. At this higher level of analysis the emphasis is shifted from the optimization of economic variables to an alignment between organizational controls and the motivation of individual organizational participants. Evaluations of effectiveness at this level may be entirely devoid of economic variables. A third level of analysis may focus on organization specific controls. The emphasis here is on the alignment between controls and organizational leadership. A fourth level of analysis may focus on industry or system specific controls (e.g. the health care system, or an industry, such as automobile manufacturing). The emphasis here is shifted to the alignment between controls and strategies. A fifth level of analysis may focus on societal level controls. The emphasis here is shifted to an alignment between controls and political objectives and policies. Finally, there could be a sixth level of analysis which focuses on controls involving all human beings. The emphasis here is on an alignment between controls and policies that aid in the long term survival of the planet. Hence, the answer to the question of why management control systems exist depends to a large extent on the level of analysis at which the management control system is said to be designed. The different theoretical approaches to MCS discussed previously in this paper often operate at an inappropriate level of analysis. As a result, MCS research might be improved through a clear definition of the level of analysis and a modification of the effectiveness evaluation criteria so that it is appropriate to the level of analysis.

CAN MANAGEMENT CONTROL SYSTEMS BE EXTERNALLY IMPOSED?

The underlying premise of much MCS research is that such systems can be externally imposed. The primary argument of this paper is that this is a questionable assumption. The following logic supports this argument. A decision to organize precedes an organization. A decision maker must first decide what the objective of the organization is to be (e.g. to heal the sick; to manufacture automobiles; to fight a war). The nature of the organizing decision pre-determines the resource requirements (e.g. where to locate; what resources are needed; whether there is a need for the product, the service, or the war). The resource requirements determine the manner of making decisions, and thereafter an organization is formed. The initial structure of the organization determines what decisions are made; the decisions determine the continuing resource requirements; and these in turn re-structure the organization. Thus, the MCS creates the organization (see Figure 3).

Insert Figure 3 here

Researchers who follow the positivist approach believe that MCS can be externally imposed to achieve efficiency and effectiveness. This notion assumes that the organizational designer is functioning *ab initio*, which is to say that the designer is capable of starting anew with each decision. This is not congruent with reality. In addition, a belief in the ability to purposefully design an MCS leads to a series of legacy systems which are often incapable of communicating with one another or capable of achieving the organization’s objectives.

Neo-Marxist approaches suggest that the resource requirements, which are reproduced by existing organizational structures, frame continuing decisions in such a way that the primary outcome is the reproduction of power relationships in organizations and society. This is an important observation, but there is a tendency within this approach to overlook the existence of human agency in the feedback loop which creates the organization. Human agency in the feedback loop results in organizational stability; consequently, contradictions and conflicts within the system may bring the system down.

The Dialectic of Control

To bring the several strands of the arguments of this paper together, it may be useful to return to the concept of a *dialectic of control*, as developed by Giddens (Giddens, 1979, 1984; Dillard and Macintosh, 1999). In Giddens' structuration theory, control is defined in terms of autonomy and dependence. In a manner similar to agency theory, social actors are presumed to be aware of the range of actions open to them and the possible consequences their actions. Power is assumed to be reciprocal, no matter how divergent the resources available to the parties. Change is caused by underlying contradictions within the social system. These contradictions arise from incompatibilities between the forces in the system. Social systems exist in a state of dynamic tension, and there is change through time. The present state of the system is the result of the most recent struggle between competing elements or forces. Furthermore, the current state is only a temporary moment in the evolution of the social system because the competing forces within the system are constantly undermining the current state. In a given state, excesses are perpetuated by the superior forces thereby allowing subordinate forces to gain influence. The subordinate forces eventually overturn the established hierarchy and create a new hierarchy. This is an iterative process. Each new state results from the temporary resolution of the dynamic tensions within the system. Conflicts are the outward manifestation of contradictions played out by agents whose actions lead to changes in the structure of the system (Dillard and Macintosh, 1999).

The dialectic of control suggests that it is difficult, if not impossible, to intentionally design an MCS so as to achieve efficiency and effectiveness. At the same time, an approach focusing only on contradiction and conflict cannot provide a solution to the conflict. It is only by obtaining a deeper understanding of the dynamic tension between competing forces in the social system, and how such tensions lead to changes in the system, that change can be managed.

The Socio Economic Approach to Management Control

The Socio-Economic Approach to Management ("SEAM"; Savall, 1975, 2003b, 2007; Savall, Zardet, Bonnet & Moore, 2001; Savall & Buono, 2007; Savall & Zardet, 2008) has been used for over thirty years to study the behaviour of organizational actors over the medium to long term and to observe changes in HR management.

The SEAM approach investigates management control and observes it over time in order to follow the natural evolution of the practice and to evaluate the effects of the changes which are introduced. The process of intervention research is based on induction and deduction, alternating phases in the field with phases of withdrawal and analysis. The phases in the field (immersion) give rise, through induction, to interpretations. In a second cycle, the phases of withdrawal and analysis (distance phases) make it possible, through deduction, to formulate research hypotheses, which are then validated (or disproved) by a new immersion phase.

To summarize, three primary traits characterize the SEAM approach to MCS research. First, a research operation is founded on the premise that reality can only be known by modifying it: in this sense, it is the change oriented intervention which reveals the reality of a function. Secondly, the participation by the researcher with the subjects of the research facilitates participation of the subjects through synchronization between the research and the action. This stands in contrast to situations in which field research is performed in a diachronic manner by the researcher, from a distance, remote from the field under study. Finally, the ultimate outcome of intervention research is the production of tools and emergent theories about how to change the organization not to impose the control system externally.

SUMMARY AND CONCLUSION

MCS research focuses on efficiency and effectiveness, where efficiency and effectiveness are defined primarily in economic terms. The drawback to this approach lies in its economic reductionism, often to the detriment of human interests. Alternatives to the mainstream approach have been discussed in the literature. These alternatives focus on social aspects of human interaction in organizations. Examples include neo-Marxist approaches, such as Labor Process Theory, and post-modern approaches such as Foucauldian analysis. This paper has reviewed the mainstream approach as well as alternatives to the mainstream. Each discussion has included a critique of the respective approach. It is the argument of this paper that the existing theoretical and methodological approaches to MCS are not appropriate because of the underlying premise which they share, namely that MCS can be intentionally designed, either by persons who want to achieve efficiency and effectiveness, or by persons who want to exert power and control over others in organizations and society. There is merit in an approach that is informed by a deeper understanding of power and control and the manner in which power can be both oppressive and enabling. Giddens' structuration theory and Savall et al. theory of Socio Economic Approach have features which recommend them as paradigms for MCS research. However, the differing theoretical and methodological approaches to MCS discussed in this paper may also suffer from an inappropriate level of analysis. It is argued that MCS research may be improved through a more clearly defined specification of the level of analysis and an alignment of the evaluation criteria to the appropriate level of analysis.

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Figure 1
Classification of Approaches to Management Control Systems

		Theory choice: level of prior theorization		
		High	Medium	Low
Methodological choice: defined nature of methods	High	Instrumentalism (L) Positivism (L) Realism (L)		
	Medium		German Critical Theory (M)	Symbolic Interactionism (Kuhnian) (L)
	Low	Marxist (H) Labor Process Theory (H)	Structuration (L) French Post-modernism (L)	SEAM (H) Pragmatism (L) Symbolic Interactionism (Blumer) (L) Ethnomethodology (L)

Change choice: level of emphasis on change (high/medium/low)

Adapted from: Laughlin (1995, Figure 2, p. 70).

Figure 2
Levels of Analysis in Management Control Systems

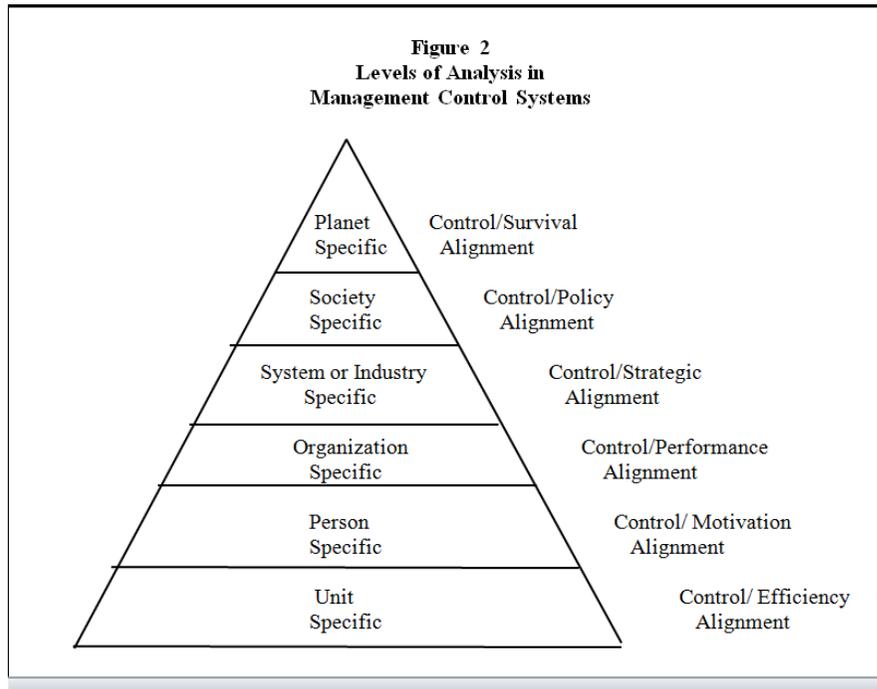


Figure 3: Model of Organization Formation, Representation and Reproduction

