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Institutionalization and practice variation in the management control of a global/local setting

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Abstract

Purpose – The paper aims to look at a joint venture (JV) set up by a Portuguese company and a global corporation (GC) in the hospitality sector. The paper seeks to examine how, and why the JV's managers introduced variations in the management control (MC) rules and procedures in institutionalizing the global MC system imposed by the GC.

Design/methodology/approach – The paper relies on qualitative data collected through a case study of the JV over a period of two years. Insights from recent neo-institutional work in accounting, complemented by the notion of multiple logics and the Orton and Weick perspective on loose coupling, are drawn on to interpret the case findings. The MC literature in GCs is also reviewed to explore whether and how practice variation can occur in these complex institutional settings.

Findings – Although institutional and technical criteria were not in dialectical tension, the global MC system was adapted by the JV's managers. They developed loosely coupled MC rules and procedures to satisfy the multiple logics informing it.

Research limitations/implications – More qualitative studies on the adoption of externally imposed practices in other global/local settings are needed to refine the understanding of this phenomenon.

Originality/value – The present study extends the scope of neoinstitutional analysis in accounting by showing and explaining how and why individual organizations, which are dependent on dominant others, can introduce variations in imposed systems and practices. In so doing, the paper also contributes to a fuller understanding of MC practices in GCs.

Keywords Portugal, Control, Joint ventures, Management accounting, Hospitality management

Paper type Research paper

Introduction

Following criticisms that neoinstitutional theory has mainly informed studies of institutional stability, the study of organizational heterogeneity and practice variation

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is becoming an important new avenue for institutional research (Dacin *et al.*, 2002; Scott, 2001; Greenwood *et al.*, 2002; Kraatz and Moore, 2002; Seo and Creed, 2002; Lounsbury, 2002, 2008). This means broadening the scope of such research beyond isomorphism and symbolic conformity by focusing on actors and practices, as well as examining, in greater depth, the relationship between institutional forces and more micro-processes (Lounsbury, 2008). The crucial insight of neoinstitutional theory has been that rules and routines appear to actors as taken-for-granted. This implies that organizational fields and/or individual organizations simply reproduce the externally imposed institutional forms, without subjecting them to modification and/or change. As a consequence, the neoinstitutional research has focused on convergent change processes (Scott, 2001), and has tended to underestimate the significance of agency and interest in the adoption of externally imposed practices (Beckert, 1999; Dacin *et al.*, 2002; Kostova and Roth, 2002; Greenwood and Suddaby, 2006; Scott, 2001; DiMaggio, 1988). But by incorporating organizational diversity and practice variation into the institutional analysis, researchers are beginning to recognise first, that organizational fields are comprised of multiple logics[1] and second, that the existence of these diverse logics enables actors to segregate and distinguish themselves from others (Lounsbury, 2008). Exploring this new research path should contribute to a better conceptualisation of how the institutional and technical forces exerted on individual organizations interact, and how imposed practices are adopted by them. Some accounting researchers have already started to extend neoinstitutionalism by explicating agency, as well as dialectics, in the study of accounting practices at the intra-organizational level (see for example Dillard *et al.*, 2004; Hopper and Major, 2007). For them, organizational actors can transform imposed accounting practices whenever, in their enactment, the actors experience contradictions and conflicts resulting from tensions between institutional and technical pressures. In these accounting studies, variations in the imposed practices are typically conceptualised as stemming from actors resisting institutionalization or, in other words, following divergent change processes.

In this paper we address the issue of institutionalization and practice variation by examining how and why the managers of a joint venture (JV), set up by a global hotel chain and a domestic partner in the Portuguese hospitality industry, not only reproduced, but also adapted the management control (MC) systems imposed by the global parent. Multinationals (MNCs) and global corporations (GCs) have not been widely researched by neoinstitutionalists, even in the accounting literature. Instead, they have mostly centred their attention in the public sector and not-for-profit organizations (Lounsbury, 2008; Scott, 2001; Burns *et al.*, 2006; Scapens, 2006). Yet, GCs can be seen as highly institutionalized environments, in which sub-units worldwide are compelled to adopt standard operating rules and procedures that are compatible with those of their parent (DiMaggio and Powell, 1983, 1991; Scott and Meyer, 1991; Kostova and Roth, 2002).

Our analysis is informed by the recent neoinstitutional work in the accounting literature, but we complement it with the concept of logic (see Lounsbury, 2008) to explain the institutional dynamics that affect MC practices in our global/local setting. We also draw on Orton and Weick's (1990) insights on loose coupling to explicate how local agents can both institutionalize and adapt the MC systems imposed by the global actor. Orton and Weick's (1990) insights are particularly useful in our analysis, as these authors argued that any system, in any organization location, can contain various elements, some of which act responsively, whereas others act independently (or with some degree of independence). Finally, we review the literature on MC and MA[2] systems in GCs (Mouritsen, 1995; Dent, 1996; Kirk and Mouritsen, 1996; Quattrone and Hopper, 2001; Quattrone and Hopper, 2005; Barrett *et al.*, 2005; Busco *et al.*, 2006, 2007; Lukka, 2007) to explore whether and how practice variation can occur in such complex organizations and how accounting researchers have attempted to explain it.

We believe that our paper makes three main contributions: first, it extends the scope of neoinstitutional analysis in accounting by examining/explaining how and why individual organizations introduce variations in imposed systems and practices; second, it sharpens the distinction between the institutional concepts of decoupling and loose coupling; and, third, it provides a more comprehensive approach to the study of MC practices in GCs.

The paper continues with seven further sections. The next section sets out the background to the study; i.e. it reviews the recent institutional work in the accounting literature, as well as Orton and Weick's (1990) insights on loose coupling, and describes the enactment of management control systems in GCs. It also develops our research questions. The subsequent section outlines the research context of the study, as well as the method and process adopted to answer the research questions. Then, the following four sections depict and discuss the main empirical findings of our case study. Finally, the paper ends with our conclusions.

Background to the study

The recent neoinstitutional work in the accounting literature

Neoinstitutional theorists have been lately criticized for:

- arguing that legitimacy (or institutional) and technical (or efficiency) pressures are polar opposites and cannot confront organizations simultaneously (Scott, 2001; Carmona *et al.*, 1998; Hoque and Alam, 1999; Granlund and Lukka, 1998; Dacin, 1997; Hopper and Major, 2007);
- failing to study the processes whereby institutions are created, transposed and/or decomposed (Dacin *et al.*, 2002; Scott, 2001; Seo and Creed, 2002); and
- neglecting power, agency and interest at the organizational level (Scott, 2001; Dillard *et al.*, 2004; Hopper and Major, 2007; Lounsbury, 2008).

In earlier times, institutionalists saw organizations as passive entities that sought to gain legitimacy by conforming to environmental pressures (Meyer and Rowan, 1977, 1991; DiMaggio and Powell, 1983, 1991; Scott and Meyer, 1991). Organizations were depicted as adopting practices, which were convergent (isomorphic) with external institutional environments. Moreover, these scholars treated technical and institutional pressures as independent, or mutually exclusive; and tended to link technical pressures with for-profit firms and institutional pressures with public and not-for-profit organizations. More recently, studies on institutional formation, change and destruction have emerged (see among others, Beckert, 1999; Dacin *et al.*, 2002; Seo and Creed, 2002; Kraatz and Moore, 2002; Greenwood *et al.*, 2002; Lounsbury, 2002).

Following this latter trend, accounting researchers have started to develop theoretical frameworks for investigating the institutional dynamics of accounting practices within organizations (Dillard *et al.*, 2004, Hopper and Major, 2007). Dillard *et al.* (2004) conceptualised institutionalization as a process which can be decomposed at three different levels: the first, and overarching, is the economic and political level, which disseminates general taken-for-granted norms through out society; the second is the organizational field level, which translates the social, economic and political parameters expressed in the general taken-for-granted norms into organizational field criteria and more tangible practices; and the third level is the organizational level, where the organisational field practices provide the legitimating and regulative basis for action. At this third level, Dillard *et al.* (2004) classified organizations as innovators or late adopters. While the former develop new organizational practices within the boundaries of the organizational field practices, the latter mimic innovators' practices, by either integrating (institutionalizing) them into their own operating processes or by decoupling (separating) them from their internal processes. To overcome the limitations of neoinstitutional theory mentioned earlier, and to incorporate change into the process of institutionalization, Dillard *et al.* drew on Weber's axes of tension (representation, rationality and power), together with Giddens' (1984) structuration theory. Dillard *et al.* concluded that the institutionalization process allows for continuity, while change can occur when there is friction and conflict in the revision of taken-for granted norms, values and beliefs. As such, accounting systems can be seen as artefacts incorporating socially imposed rules, regulations, norms and values that "provoke responses ranging from resistance to institutionalization" (Hopper and Major, 2007, p. 66).

In a study of the adoption of activity-based costing (ABC) in a private telecommunications company in Portugal, following its imposition by external regulators, Hopper and Major (2007) extended Dillard *et al.* (2004) framework by drawing on the labour process approach and actor network theory (ANT). In doing so, Hopper and Major were able to explicate issues raised in their case study, including agency, dialectics, praxis and the nature of accounting practices. In line with Dillard *et al.* (2004) and other institutionalists (e.g. Scott, 2001; Orrù *et al.*, 1991; Lee and Pennings, 2002), Hopper and Major (2007) concluded that institutional (or, as termed by the authors, legitimacy) and technical (or, as termed by the authors, efficiency) pressures are interwoven and both impact on private (as well as public and not-for-profit) organizations. However, power struggles and conflicts were observed in the Portuguese telecommunications company following the implementation of the new accounting system, which was imposed by the external regulators. On the one hand, the managers of the Production department resisted ABC because their information needs and interests were neglected. As a result, this new MA system was decoupled from the internal processes of the Production department. On the other hand, the Commercial department institutionalized ABC as the department's interests were met. Borrowing from Seo and Creed's (2002) perspective on change processes[3], Hopper and Major concluded that, when enacting ABC the managers of the Production department experienced contradictions between the imposed MA system and their technical rationalities. This meant that the demands of legitimacy and efficiency were in dialectical tension, which provoked conflict and resistance to the institutionalization of the imposed practice. By contrast, the "Commercial managers believed ABC's formal rationality and design reciprocated their market rationality" (Hopper and Major, 2007, p. 90). As the institutional and technical criteria coincided, the Commercial department institutionalized ABC. By drawing on ANT, Hopper and Major could also explain how a working technology like ABC comes to be diffused. They saw it as a boundary object capable of having different meanings across multiple groups, in other words, a loose alliance of ideas translated according to various interests. Therefore, Hopper and Major (2007) replaced Dillard *et al.*'s (2004) conceptualisation of innovators versus late adopters at the organizational level, with a process whereby the organisational field practices come to be translated into a working practice and, subsequently, enacted at the intra-organizational level. However, if during this enactment, organizational actors experience contradictions, the actors' consciousness is reshaped (praxis), and this may lead them to resist the institutionalization of the imposed practice (and eventually exert pressure upward to change it). In the Production department of the Portuguese telecommunications company, the conversion of ABC into a working practice led to its decoupling from the technical activities of the department. Following Lounsbury (2008), we could argue that this decoupling led to a variation in the imposed practice.

Thus, conflict and tensions between institutional and technical pressures can lead to practice variation, as actors resist the institutionalization of the imposed organizational systems and practices[4]. As pointed out earlier, in Hopper and Major's (2007) framework, this view of the change process is informed by Seo and Creed (2002). From this perspective, the social structures, through which orderly relations are produced and reproduced in organizations (as well as in organizational fields), are composed of loosely coupled elements, which are neither complete nor entirely coherent. Such incompatibilities provide a continuous source of tension and conflict, which are experienced by the actors, and which can lead them to transform those social structures. Yet, in the JV we studied, we observed both convergence with the imposed global MC systems, but also practice variation resulting from their local adaptation. To explicate how this can happen, we used Orton and Weick's (1990) perspective on loose coupling; the main insights of which are outlined in the next sub-section.

Orton and Weick's perspective on loose coupling

From this perspective, which is imported from the organizational decision-making literature, a system, in any organizational location, is loosely coupled when its elements are distinct (independent or with some degree of independence) from, yet respond (are connected or linked) to others. Consequently, for Orton and Weick (1990), loosely coupled systems differ from both decoupled systems and tightly coupled systems. Whereas tightly coupled systems are defined as having responsive components that do not act independently of each other, decoupled systems have elements that are distinct from, and do not respond to other elements. Building on these arguments, Orton and Weick criticized scholars, such as Meyer and Rowan (1977), who did not emphasize connectedness, responsiveness and interdependence, and consequently did not distinguish between loose coupling and decoupling. For Orton and Weick, however, the word "loosely" captures the distinctiveness dimension, whereas the responsiveness dimension is captured by the word "coupled". Thus, Orton and Weick (1990), claimed that the concept of loose coupling must not be interpreted unidimensionally, which in, their opinion, happens whenever (p. 205):

> . . . loosely coupled systems are portrayed as having independent components that do not act responsively.

Neoinstitutional theorists have often failed to distinguish loose coupling from decoupling. As a result, both concepts have often been used interchangeably to indicate a separation between the systems drawn on to ensure external legitimacy and those used internally by organizations to manage their day-to-day activities. Therefore, loose coupling has come to be seen as merely serving a symbolic purpose. However, Scott (2001), p. 173) seems to agree with Orton and Weick, 1990, as he argued that:

> ... numerous studies suggest that although organizations may create boundary units for symbolic reasons, these structures have a life of their own. Personnel employed in these units often play a dual role: they both transmit and translate environmental demands to organizations, but they also represent organizational concerns to institutional agents.

Orton and Weick (1990) also argued that interpreting loose coupling as a combination of different structural dimensions is difficult, but, at the same time, it is a more helpful way of understanding organizations. For this purpose, Orton and Weick suggested that researchers should focus their attention on dynamic and on-going processes using field-based research methods, such as case studies.

A number of researchers have drawn on Orton and Weick's (1990) perspective on loose coupling to study relationships among organizational elements (see, among others, Andersson, 1992; Basu *et al.*, 1999; Dirsmith *et al.*, 2000; Beekun and Glick, 2001; Hinings *et al.*, 2003). Some researchers have even refined the Orton and Weick perspective to ease its application (e.g. Beekun and Glick, 2001; Dirsmith *et al.*, 2000). For instance, Beekun and Glick (2001) emphasized the dynamic nature of loose coupling; arguing that loosely coupled elements can, over time, become more or less coupled and, therefore, they recommended studying the coupling relations over a longer (rather than shorter) time horizon.

In the accounting literature, some researchers have also recognized the usefulness of Orton and Weick's (1990) views on loose coupling; in particular when investigating the introduction of MA practices in specific organizations (Collier, 2001; Modell, 2001, 2003; Siti-Nabiha and Scapens, 2005; Lukka, 2007; Nor-Aziah and Scapens, 2007). However, most of these studies were conducted in the public sector. Lukka's (2007) study is one of the few that draws on Orton and Weick's (1990) notion of loose coupling to analyze how global MA systems were reproduced by the local units of a GC.

A GC is a firm that, first, has sub-units (subsidiaries and/or joint ventures) spread across many countries, thereby competing on a worldwide basis with other firms in its industry[5]. Second, it treats the world as composed of a few standardized, rather than many customized, markets (Bartlett *et al.*, 2004). Consequently, it adopts a global strategy based on product standardization and global marketing. In a global strategy, the emphasis is on common products designed for distribution throughout the world and, as such, it trades on similarities across the various national markets (Dent, 1996). By contrast, in a multinational strategy products are designed to meet local needs, and to accommodate differences between national markets. Third, it integrates geographically dispersed activities through co-ordination by corporate headquarters (HQ) in order to achieve competitive efficiency on global-scale (Mouritsen, 1995; Bartlett *et al.*, 2004). As we studied a sub-unit of a GC, the next section reviews Lukka's (2007) study, and other literature on MC systems in GCs, to identify whether there were practice variations in these organisations, and how accounting researchers interpreted them.

MC systems in GCs

Lukka's (2007) study is based on casework in a Finnish globally operating firm, in which the corporate HQ developed standardized MA and information systems to improve the efficiency of its geographically-dispersed activities. However, these new globally-conceived systems were not really reproduced locally. The reasons being: on the one hand, there was goal ambiguity due to contradictory managerial approaches at the corporate HQ, which resulted in the development of a problematic (and rather confused) standardized MA system at the global level and, on the other hand, there were quite flexible and sufficiently well functioning informal MA practices (or routines – in Lukka's terms) at the local sub-units[6]. Borrowing from Orton and Weick (1990), Lukka concluded that, in his case, MA rules and routines were loosely coupled. To prepare the reports for the corporate HQ, the controllers of some of the larger sub-units creatively developed routines within the informal domain, and these were disassociated from the problematic global system. In doing so, "pressures to increase standardisation were reduced as a sufficient level of integration was achieved via informal routines and daily actions" (Lukka, 2007, p. 95)[7]. Thus, it seems plausible to argue that, in this Finnish GC, there was practice variation. Its sub-units did not adopt the new globally-conceived organisational systems, as local actors could develop informal practices to respond to global (corporate HQ) demands. Moreover, the source of practice variation in this case was the tension between the standard operating rules that the parent company wanted to impose and the sub-units' technical (internal) logic.

Most of the other accounting studies of GCs have focused on the global-local dialectic (see, for instance, Dent, 1996; Kirk and Mouritsen, 1996; Arnold and Sikka, 2001; Quattrone and Hopper, 2001; Quattrone and Hopper, 2005; Barrett *et al.*, 2005; Busco *et al.*, 2006, 2007). In particular, researchers have examined how these organizations draw on MC and MA systems to manage such tensions as centralisation versus decentralisation, standardisation versus differentiation, and strategy integration versus local responsiveness (Busco *et al.*, 2007). In this literature, MC (as well as information) systems are seen as one of the means used by GCs to co-ordinate and control their activities in different countries, as Kirk and Mouritsen (1996), p. 245) explained:

> Direct supervision cannot be carried out across large distances. There are thus strong pressures to introduce means of communication and control in geographically dispersed firms that reduce the friction of space [...]. An accounting system portrays headquarters and subsidiaries as a set of relationships that are produced to facilitate interaction and control.

For this purpose, GCs often standardize accounting systems across the world (Mouritsen, 1995). In other words, the globally dispersed sub-units are compelled to adopt standard rules and procedures, which are elaborated at HQ to increase the visibility of local business processes and to align them with the global corporate strategy. As noted by Quattrone and Hopper (2001), p. 742) "corporate HQs develop surveillance activities such as accounting to monitor subsidiaries and reduce distance". However, it was also found that the strength of GCs does not always lead to central control and convergence of practices within such firms. For instance, Quattrone and Hopper (2005) observed a certain amount of local discretion when studying MC in two GCs (or, in these authors' terms, multinationals). This was due, in one case, to the leads and lags in the introduction of a new information (Enterprise Resource Planning system; ERP system) and the MC systems which were imposed by HQ. In the second case, local discretion occurred as, with the implementation of an ERP, anyone with access to its database could create (accounting) information to suit his or her purpose. Furthermore, Barrett *et al.* (2005) found that the practices performed by local offices of a Big Four accounting firm facilitated, but also undermined, the global systems, which were used to coordinate the audit, work.

As these examples illustrate, GCs often impose rules and standard procedures (i.e. formal structures) on their sub-units in order to improve central coordination and control. This could be interpreted as a form of coercive isomorphism (DiMaggio and Powell, 1983, 1991). Yet, neoinstitutional theory has rarely been used to inform studies of MC in GCs, and consequently the broader institutional dynamics have tended to be ignored. Furthermore, in this literature accounting researchers have rarely drawn on Orton and Weick's (1990) perspective on loose coupling. Instead, they have used theories of practice, such as ANT, to stress and explain aspects of agency at the local level. In these studies, and also in Dillard *et al.* (2004) and Hopper and Major (2007), the tensions between the imposed rules and local requirements are seen as the main drivers for variations in MC practices in the local units of GCs. In the JV we studied, we observed a somewhat different situation: even though the MC systems imposed by the global parent were not disconnected from the work performed at the local level, variations in the global MC rules and procedures did take place. Therefore, this led us to formulate the following research questions:

(1) How and why did the JV institutionalize the MC systems imposed by the global parent at the same time as it introduced practice variations?

(2) Do insights from neoinstitutional theory help in explaining the practice variations observed in the MC systems of this JV?

Research context, method and process

Research site

The previously mentioned research questions were addressed through a case study of a JV set up by one of the leading GCs in the hospitality sector (from now on called Partner G) and a Portuguese family-owned company (hereafter FOC). Since its launch in 1997, this JV (which we will call Hotelco to maintain confidentiality) has been owned equally by the two partners. It operates and manages a portfolio of hotels in Portugal under Partner G's global brands – some, but not all, of these hotels are owned by Hotelco.

Partner G started its hospitality business more than 30 years ago in one of the largest European countries[8] and, nowadays, has over 3,500 hotels spread across various countries of Europe, North and South America, and Asia. The bulk of Partner G's activities is primarily international, as two third of its revenues (which total about $10 billion) are generated outside its country of origin. In the main, it either owns 100 per cent of its hotels or operates them for other owners under management contracts. Hotelco was one of its few joint ventures. However, Partner G is a GC quoted on a (European) stock exchange, and pressures from institutional investors have caused it to restructure its asset management policy in order to expand its worldwide activities more rapidly. As a result, Partner G has been selling more recently the "property" in some hotels, while continuing to manage them, and it has also entered into many more hotel management contracts, as well as franchises and joint ventures. In terms of market segmentation, Partner G initially focused on the economy and midscale lodging segments. The economy segment is composed of two- and three-star, cost effective hotels, whereas the midscale segment comprises four-star hotels. In each of these two segments, Partner G has established a brand name and adopted a product standardization strategy or, in other words, highly standardized rooms. More recently, Partner G diversified its business by establishing a brand name in the budget (one-star) hotels, as well as in the non-standardized midscale and upscale (five-star and very luxury) hotels. In these latter two segments, greater product differentiation exists. However, Partner G's expansion is currently focused on its economy and budget hotels. It opened its first Portuguese hotel in Lisbon in 1986, and since 1988 it has had an increasingly intertwined relationship with FOC.

FOC has long been an important manufacturer in Portugal and, during the 1980s, it decided to diversify into the real estate sector. Following this diversification strategy, the company invested in two independent hotels, as well as other Portuguese hotel properties, which were operated and managed by Partner G under one of its brands. FOC's experience in the local real estate market proved crucial for the development of new hotels in Portugal under Partner G's brands. Furthermore, as FOC's know-how in the hospitality sector increased over the years, it and Partner G decided to set up the Hotelco joint venture in 1997. Then in 2001, FOC created a subsidiary for its various tourism activities (henceforth Partner L), which, since then, has replaced FOC as a parent of Hotelco.

At the time of our study, Hotelco was operating and managing 30 hotels under Partner G's brands, with annual revenues of around €50 million. The great majority of these hotels are urban and 60 per cent are in Partner G's economy brand; i.e. highly standardized two and three star hotels. In recent years, the Portuguese hospitality market has become increasingly competitive, and this has led to a slowing down in the development of new hotels operated and managed by Hotelco. As an organization, it is managed by a board of directors appointed equally by the two partners. However, the daily management of Hotelco's activities have been delegated to a so-called "Strategic Committee", which comprises a top manager from both Partner G and Partner L. As Partner G's top manager at Hotelco is also the regional manager in charge of Partner G's activities in Spain, Belgium and the Netherlands, his functions are exercised on a daily basis by an operations manager (hereafter the Country Operations Manager) located in the JV. Figure 1 shows Hotelco's organisational chart, as well as the functions for which each of the top managers is responsible.

Research method and process

The case study was conducted over a period of 22 months (from the end of September 2004 to the end of July 2006), following the signing of a confidentiality agreement with Partner L, which facilitated close contact with the organization. Several sources of information were used, including 39 semi-structured interviews conducted in several different locations: specifically, two of Partner L's offices, Hotelco's headquarters, and a number of hotels around Portugal. In total, 24 managers were interviewed, including:

(1) Hotelco's previous and current Country Operations Managers (the former retired in mid-2005 and the latter started to work in September 2005), Hotelco's Accounting and Finance Manager, Controller, Marketing and Sales Managers and several Hotel Managers.

(2) The CEO of Partner L and its CFO, Controller and Development Manager (see Table I for more details).

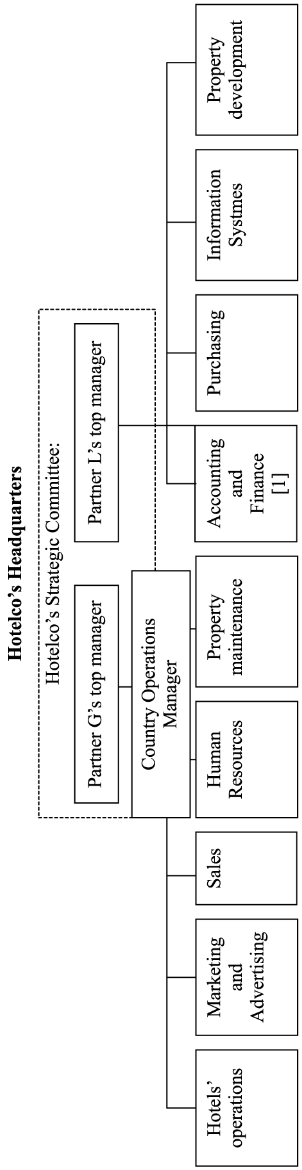

Figure 1.
Hotelco's organisational chart

Date	Length (m)	Position
21/09/2004	120	CEO of Partner L (also top manager of Hotelco appointed by Partner L)
04/10/2004	90	CEO and development manager of Partner L
11/11/2004	90	CFO of Partner L
26/11/2004	120	CFO of Partner L
20/12/2004	105	Controller of Partner L
20/12/2004	90	Accounting and finance manager and controller of Hotelco
05/01/2005	60	Country operations manager of Hotelco and expatriate of Partner G (this manager retired in June 2005)
05/01/2005	55	Controller of Hotelco
24/01/2005	75	Marketing manager of Hotelco
27/01/2005	60	Hotel manager (also regional brand manager-economy segment)
27/01/2005	60	Hotel manager (also regional brand manager-midscale segment)
09/02/2005	75	Hotel manager (upscale segment) and expatriate of Partner G
18/02/2005	60	Development manager of Partner L
09/03/2005	100	Hotel manager (also Hotelco's regional brand manager-midscale segment) and expatriate of Partner G
16/03/2005	60	Hotel manager (economy segment) and who had worked for Partner G' hotels in Germany some years ago
13/04/2005	85	Human resources manager of Hotelco
02/05/2005	105	Information systems manager of Hotelco
11/05/2005	90	Purchasing manager of Hotelco
20/06/2005	40	CEO of Partner L (also top manager of Hotelco appointed by Partner L) (interview made by phone)
25/07/2005	75	Hotel manager (also regional brand manager-economy segment)
02/08/2005	70	Hotel manager (economy segment). This manager had worked for seven years at Partner G's hotels in England and came back to work as a hotel manager in Hotelco in August 2004
02/09/2005	90	Hotel manager (upscale segment)
10.09/2005	70	Managing director of a upscale hotel launched recently by Partner L
21/09/2005	65	Hotel manager (midscale segment)
23/09/2005	60	CEO of Partner L (also top manager of Hotelco appointed by Partner L) (interview made by phone)
First phase	1,970	25 interviews
09/12/2005	90	Controller of Partner L
13/12/2005	110	Hotel manager (midscale segment)
15/12/2005	100	Accounting and finance manager of Hotelco
20/12/2005	65	Hotel manager (also Hotelco's regional brand manager-economy segment)
20/12/2005	70	Hotel manager (also Hotelco's regional brand manager-midscale segment)
04/01/2006	105	Controller of Hotelco
14/02/2006	100	Development manager of Partner L
02/03/2006	75	Hotel manager (also Hotelco's regional brand manager-midscale segment)
15/03/2006	60	Sales manager of Hotelco
05/05/2006	75	Hotel manager (also Hotelco's regional brand manager-economy segment)
15/05/2006	75	CEO of Partner L (also top manager of Hotelco appointed by Partner L)
12/06/2006	105	Accounting and Finance Manager of Hotelco
12/06/2006	50	Collaborator from the management control department of Hotelco
25/07/2006	95	New Country Operations manager of Hotelco since September 2005
Second phase	1,175	14 interviews
First and second phases	3,145 (52 h)	39 interviews

Table I.
List of interviews done

Most of the interviews were tape-recorded and were subsequently transcribed. Of the remainder, two were done by phone (with Partner L's CEO due to his very busy agenda) and in others notes were taken, as the interviewees did not want to be tape-recorded. Furthermore, there were nine informal contacts, mostly by e-mail or phone, and two short meetings, one with Partner G's regional manager in charge of Portugal in mid-June 2005. Although there were no further contacts with managers from Partner G's HQ, five of the managers interviewed at Hotelco had previously worked in other Partner G's sub-units or its HQ (see Table I for more details of the persons interviewed). The informal contacts were particularly useful for checking and/or supplementing evidence collected during the more formal interviews. Evidence from the interviews and informal contacts was reinforced by the collection of annual reports, organizational charts, internal performance measurement documents and extensive news reports, appearing either in the Portuguese press or at Partner G's site. Evidence was also obtained from the Intranets of both Hotelco and Partner L, and by attending the 2004 Annual Meeting of Partner L's managers, the senior managers of Hotelco, and all its hotel managers. Finally, preliminary findings were discussed, on separate occasions, with the CEO and the Development Manager of Partner L.

All the transcripts/notes of interviews and other material were analyzed several times in a search for the themes and patterns suggested by the theoretical perspectives that were drawn on to address the research questions (Scapens, 2004). As a result, particular sections of the interviews were highlighted and grouped into categories, such as:

(1) The MC rules and procedures that Partner G imposed on Hotelco.
(2) The extent to which Hotelco adopted them.
(3) Whether Hotelco was conforming to them, or resisting by decoupling them from its internal MC activities.
(4) The influence Partner L had over Hotelco's adoption of the global MC system.

In addition, a "Critical Incident Chart" (see Miles and Huberman, 1994) was prepared and this gave a more comprehensive visual representation of the data analysis. This chart comprised a textual display, in chronological order, of the "seen as critical" events concerning Hotelco's MC systems over the period since Partner G began its relationship with FOC in Portugal.

We will now proceed by describing the main findings of this data analysis and, as we progress, we will discuss them (in the light of the literature reviewed previously) so that we can provide answers to our research questions in the concluding section of the paper.

Management control systems imposed by Partner G

Ever since its launch in 1997, Hotelco's partners have agreed that it should adopt the MC systems that Partner G imposes on all of its geographically dispersed subsidiaries. Two particular reasons were used to justify this decision:

(1) The reproduction of Partner G's brands in the Portuguese hotel market by Hotelco.
(2) The recognition of the long experience and know-how of Partner G in the hospitality industry by all the parties involved in the JV.

As a result, Hotelco has been expected to conform to the MC rules and procedures which have been established by Partner G's HQ to centrally coordinate and control the performance of all its sub-units. In this way, Partner G exerts coercive pressures over its sub-units with the purpose of aligning their activities with its corporate goals. Consequently, to ensure their success and continued survival in this institutionalized environment, Partner G's sub-units must adopt the formal procedures, such as budgeting, established by their parent. Similar requirements have also been observed in other GCs (Kirk and Mouritsen, 1996; Quattrone and Hopper, 2005; Barrett *et al.*, 2005; Busco *et al.*, 2006, 2007).

Thus, borrowing from Dillard *et al.* (2004), we can characterise Partner G's MC systems as the legitimate regulative basis for action at Hotelco (as well as Partner G's other sub-units). The cornerstone of these global systems has long been the annual budgeting and budgetary control procedures. More recently, standardization has become an important issue in the MC of this global hotel chain, as in other large international organizations (e.g. Scapens and Roberts, 1993; Mouritsen, 1995; Kirk and Mouritsen, 1996; Barrett *et al.*, 2005; Lukka, 2007). Much of this MC standardization has resulted from the adoption of Partner G's common information systems, as Hotelco's Information Systems Manager explained:

> From 1998 to 2002, Partner G focused on developing, homogenizing and integrating IT solutions for the front-offices of its hotels. This represented a huge amount of work due to the size of the corporation as, when this task started, Partner G already had more than 2,000 hotels, with some offering more service, others less service, as they ranged from one-star to five-star. At the beginning of 2003, and after the front-office homogenisation effort was accomplished, Partner G invested in an IT solution to homogenize the transaction processing of all the hotels and headquarters of each sub-unit (May 2005).

In addition, the centralization of the so-called "support or service" functions, which had previously been located in each of Partner G's hotels, also contributed to the standardization of accounting and MC systems within the group. The "service functions" are now executed by centralised "overhead departments", such as Accounting, Finance, Information Systems, Marketing, Purchasing and Human Resources. Furthermore, a financial reporting chart of accounts and a standardized P&L are now used across Partner G at the hotel, brand and country levels. Hotelco's previous Country Operations Manager (who had worked for Partner G for 30 years) made the following comment:

> Nowadays you can go to Belgium, to England, to France and you will find the same P&L account. It is universal within Partner G (January 2005).

In contrast to what had happened in the past, this standardization has led to a fully integrated reporting system within Partner G.

But for regulative processes to be effective, they must also involve the capacity to inspect others' conformity and, where necessary, to apply sanctions (Scott, 2001). In Partner G, surveillance mechanisms were developed by the corporate HQ in order to monitor the sub-units and, thereby, reduce distance (Quattrone and Hopper, 2005). For example, sub-units must:

- prepare annual budgets (during the period September to November) and negotiate with the corporate HQ the operating targets for the following year;

- periodically report actual versus budget, as well as year-on-year performance, in terms of the standardized operational P&L format at sub-unit, brand and hotel levels – these reports are transmitted to Partner G's MC department (located at the corporate HQ) through the "sales analysis information system", which is part of the integrated back-office system; and
- explain budget variances in writing to Partner G's MC department. The operating activities of the sub-units are also monitored by Partner G's regional managers, who are in charge of specific country organizations (sub-units).

They visit them regularly and intervene, where necessary, in their activities.

To summarize, the local actors within Hotelco have to engage with the MC logic of the global actor, as both a guide for their decision making and behaviour, and also as a constraint on their actions (Lounsbury, 2008; Scott, 2001). The aim of this MC logic is to align local business processes with the global corporate strategy. This coercive isomorphism is achieved through the use of artefacts, such as accounting and information systems, which incorporate the rules, norms and values that the global actor imposes on its local units (Hopper and Major, 2007). These local units are expected to conform to the accounting concepts, norms and procedures established by the parent company. However, the accounting rules and procedures, which are used, have been greatly influenced by a widely institutionalized uniform system of accounting specifically for the hospitality industry, as we will see the following.

The adoption of USALI by Partner G

In 1926 the Hotel Association of New York City developed for its members the Uniform System of Accounts for the Lodging Industry (USALI). The objective was to provide uniform (standardized) accounting and financial reporting practices which reflected the specific terminology and unique activities of that industry (Kwansa and Schmidgall, 1999). Over the years, the USALI has been important in bringing about a convergence of accounting practices in hotels, due to both the expansion and influence of US hotel groups internationally, and also its adoption by many non-US large hotel companies. Therefore, the USALI, which is already in its tenth edition (2007), has become the industry standard (Harris and Brander Brown, 1998). Like other hotel chains, Partner G has adopted it, as the following interviewees noted:

> The inspiration for Partner G's P&L accounts is the USALI (Hotelco's Controller, December 2004).

> Partner G uses the Uniform System of Accounts which is the standard for the hospitality industry (Hotelco's previous Country Operations Manager, January 2005).

The USALI has shaped the accountability procedures of Partner G, which, following USALI recommendations, holds hotel managers accountable for the revenues and costs that they can directly influence; i.e. for their hotel's gross operating profit (GOP)[9], as confirmed by Hotelco's Controller:

> The decision-making process of the hotel manager goes down to the GOP in the P&L account (January 2006).

This accountability is reinforced, as the GOP is the main element in the annual bonuses of Partner G's hotel managers, as mentioned by one of Hotelco's hotel managers:

> Our annual bonus as hotel managers depends on qualitative and quantitative elements. In what concerns the latter, our bonus is based on several financial indicators, but the GOP is the most important one (July 2005).

This suggests that the processes shaping MC in Partner G and through it, the MC systems of its sub-units including Hotelco, are impregnated with pressures to conform to industry accounting standards. As such, this could be described as normative isomorphism (DiMaggio and Powell, 1983, 1991). Nevertheless, for Hotelco (and for the other sub-units of Partner G) these pressures to conform to the global MC systems would probably feel as quite coercive – as the instructions emanate from Partner G (hence, it could be described as coercive isomorphism). Furthermore, as the global hospitality industry has been going through some important transformations, Partner G has recently used its coercive power to restructure its MC systems in order to support its own business repositioning. This is discussed in the following section.

The restructuring of MC systems in Partner G

As explained by both the new and the previous Country Operations Manager of Hotelco:

> In the last five years, the distribution channels in hospitality have changed totally. The internet has gained a lot of importance. Moreover, the client today is king; he has transparency, he travels easily, and he is a knowledgeable customer. This means that hospitality companies have to know better the end users. In the global and competitive world faced by those companies today, the keystone of the "battle" is to know the clients, create databases and conquer their loyalty (Hotelco's new Country Operations Manager, July 2006).

> Nowadays, the most important distribution and promotion channel to be taken into consideration in any hospitality action plan is the internet. But in this case, the initiative to contact the hotel comes from the client (Hotelco's previous Country Operations Manager, January 2005).

These developments led Partner G to want to know better its customers and their preferences and to be innovative and more reactive to conditions in local markets. This strategic repositioning has meant a shift in the logic of the global actor (Lounsbury, 2008). Previously, the focus was on cost control through the standardization of both information and accounting systems. However, the new Country Operations Manager of Hotelco noted that:

> The hospitality business remains a business of numbers. Nothing will be done that cannot be related to the financial performance of the hospitality companies, as investors look mainly at the profitability of these companies (July 2006).

To balance its new business priority with investors' interests, Partner G restructured its planning and control systems. The outcomes of this restructuring were a new budgeting procedure, the use of rolling budgets and a rolling forecast exercise. These were first presented by Partner G's corporate MC department to all the group's Accounting and Finance managers at a meeting held in June 2004.

The new budgeting procedure, called operational budget commitments, consists of:

- an incremental budget (which replaced the previous "zero base" budgeting);
- written action plans which explain all increases vis-à-vis prior year performance (apart from increases in revenues and costs due to extraordinary events); and
- a simplification of the annual budget with less detail in the projected information.

Also at the meeting in June 2004, Partner G announced that the performance of all sub-units and hotels would be monitored monthly through comparisons with prior year's figures. "Actual versus budget" comparisons should only be made at the end of each half year. However, this would then become part of a new "rolling budget" procedure, through which hotel and country managers of each of Partner G's sub-units are required to revise their operational budget commitments for the second half-year, at the end of the first half-year. Hotelco's Controller explained how these new budgeting and budgetary control procedures were imposed by Partner G:

> For the year 2005, Partner G decided to simplify the budgeting process, and defined two precise moments for the comparison of current performance against the annual operational budget commitments, which were the half years. This was clearly stated by Partner G. The only moment it asked us to explain how our operational budget commitments for the year 2005 were attained was when they were revised at mid 2005 (Hotelco's Controller, January 2006).

Hotel managers at Hotelco were, in general, pleased with the emphasis put on the monthly year-on-year comparisons of their hotel performance. Yet, as mentioned by some interviewees, Partner G adopted a somewhat ambiguous position *vis-à-vis* the importance of monthly monitoring of "actual versus budget" performance. Not only did some reports produced by corporate HQ continue to include monthly comparisons against the annual operational budget commitments during 2005, but for 2006 Partner G again required sub-units to provide monthly breakdowns of the operational budget commitments in the sales analysis information system. This ambiguity had particular implications at Hotelco, as we will mention in the next section.

The final outcome of Partner G's restructuring was a rolling forecast exercise, named "Forecast three months". It consists of estimates of four performance measures - occupancy rate, average room price, total sales and GOP – which are produced half way through each month, for the remainder of the current month and for the subsequent two months. These forecasts must be prepared at hotel, brand and country-levels. The purpose being:

- to ensure that sub-units and hotels anticipate future conditions when managing their businesses, thereby enabling them to react quicker to changes in their marketplaces; and
- to increase corporate HQ's visibility over sub-units' affairs, by requiring the outputs of each "Forecast three months" to be reported to Partner G's MC department.

At the beginning of 2006, the "Forecast three months" was replaced by a "Forecast four months". This meant that the forecasting period was extended to encompass the current month and the subsequent three months. Following the logic of this forecasting exercise, a new management concept, "the reactivity idea" has been progressively pushed by Partner G into its sub-units. This means that if a hotel increases its sales, x % of this increase must be converted into a GOP increase, but if a hotel decreases its sales, z % of costs must be saved, so that the GOP will decrease less than sales.

In sum, to cope with the transformations occurring in the worldwide hospitality industry, Partner G introduced changes into its business logic and regulative processes by restructuring its global MC systems and diffusing them throughout the group. This could be seen as Partner G exerting (coercive) pressures over its sub-units; inducing them to be more innovative and to react quickly to changing market conditions. The aim was to ensure that the sub-units' activities converge with Partner G's new goals.

As noted by Scott (2001), p. 114) “the spread of a new form or practice is [. . .] an instance of institutional change, but change of a particular kind. It is convergent change”. In addition, the new global MC systems, and in particular the new rolling forecast exercise, also contributed to reducing distance by increasing corporate HQ’s visibility over the sub-units’ activities. However, in line with the findings of other studies of MC in GCs (see, among others, Quattrone and Hopper, 2001; Quattrone and Hopper, 2005; Barrett *et al.*, 2005; Lukka, 2007), practice variations in the enactment of the imposed MC systems were also observed in Hotelco.

Practice variations in the MC systems introduced by Hotelco

As pointed out earlier, Hotelco has generally adopted the MC systems, including the standardized financial reporting chart of accounts and the P&L formats, which are also used by all Partner G’s other sub-units; as the following quotations illustrate:

> We use the financial reporting chart of accounts that Partner G conceived. Even when we develop reports for our own use, the accounting data on which these reports are based, is similar, homogeneous, with Partner G’s accounting data. This aspect is fundamental because we (referring to Partner G and Hotelco) are always analysing the same accounting data (Hotelco’s Controller, January 2006).

> The format of our P&L accounts follows Partner G standards (Hotelco’s Accounting and Finance Manager, December 2004).

Hotelco has also used Partner G’s budgeting and budgetary control procedures, including the rolling budgets and rolling forecasts which were described previously. In so doing, Hotelco was conforming to the institutional pressures from the global parent, thereby securing legitimacy and support (Scott and Meyer, 1991; DiMaggio and Powell, 1983, 1991). Yet, the way in which these global MC rules and procedures were implemented by Hotelco, and ultimately institutionalized, was not ceremonial. The MC rules and procedures imposed by Partner G have not been disconnected (separated) from the work being performed internally at Hotelco. On the contrary, due to Partner G’s long experience and know-how in the hospitality industry, its MC rules and procedures have been acknowledged by Hotelco (and its domestic partner) to be a means to improve the economic efficiency of its day-to-day operations, as noted by Hotelco’s Controller:

> It is consensual between partners and within the JV that it is Partner G which has the deepest experience on how to operate and manage hotels (December 2004).

As such, the MC systems imposed by Partner G have been made part of Hotelco’s internal MC activities. Thus, we can say that both elements have been linked or coupled (Orton and Weick, 1990). This means that Partner G’s formal MC rules and procedures have influenced the technical core of Hotelco’s business through their embedded logic of economic efficiency. Therefore, in our case, the institutional and technical coincide, thereby facilitating the institutionalization of the global MC systems in the local context (Hopper and Major, 2007). As a result, the MC systems put in place by Partner G encountered little local resistance (at least at Hotelco). Instead, the rules, norms and values embedded in the global MC systems were reinforced at the local level, thereby contributing to the convergence of global practices. This suggests that pressures for legitimacy and efficiency were not in real tension; which contrasts with what Lukka (2007) found in his case.

However, although the local MC practices were coupled (i.e. connected) to the global MC rules and procedures, it was not a tight coupling. As noted by Basu *et al.* (1999, p. 508) "tight coupling exists when elements share a joint identity, with each responding to changes in the status of the other". But in Hotelco the managers were capable of creating variations in their MC systems, which had no (apparent) connection to the global MC rules and procedures. The local practice variations were feasible due to the existence of other logics informing Hotelco's MC activities. As we will illustrate in the following, in our case, MC was institutionally contingent; it was based on the relationship of the logics to different groups of actors located in different geographic locations and with different cultural backgrounds (Lounsbury, 2008).

One of these other logics stemmed from the specific MC rules and cultural beliefs of Hotelco's domestic partner. Although Hotelco reproduced Partner G's MC systems, the top manager of Hotelco appointed by Partner L was in charge of the Accounting and Finance department at the JV (see Figure 1). This was another source of institutional pressure on Hotelco, especially as Partner L (and previously FOC) had to consolidate Hotelco with other sub-units in its financial statements. This need for consolidation had led Hotelco (even before it started to introduce Partner G's integrated back-office information system at mid 2004) to install the technological solution (i.e. the database) used by Partner L. This allowed Hotelco to integrate the financial accounts and annual budgets of all its hotels. Moreover, it also enabled Hotelco's MC department to design and produce monthly activity reports for each hotel, which could be used for local monitoring and coordination. Even after Hotelco implemented Partner G's integrated information system in June 2004, Hotelco's MC department continued producing these monthly activity reports. In particular, the monthly monitoring of "actual versus budget" performance was retained, as this information was not available (at least in 2005) in Partner G's MC system. When asked about the reason for this local adaptation, Hotelco's Controller answered:

> We think that the actual versus budget monthly comparison is relevant information. Besides, had we eliminated it, Partner L would require it, as Partner L sees it as a main element in the control process of sub-units' performance. As we kept our own technological solution [database], even after the local implementation of Partner G's integrated information system for our accounting activities, the monthly budget data was there and we could keep the actual versus budget comparison in our monthly activity reports (January 2006).

Hotelco's Accounting and Finance Manager also commented:

> Here in Portugal, we kept following monthly our annual budget in 2005 and we will continue to do it (June 2006).

By doing so, Hotelco was reproducing Partner L's logic, in which the comparison of the monthly performance against the budget of each sub-unit is considered a very important element of the MC system. This logic has its origins in Partner L's organisational and business culture, which has been heavily influenced by its parent company – FOC (a Portuguese manufacturing company with a tradition of tight control over its sub-units). A further reason for this logic is Partner L's size, as compared to Partner G. This was pointed out by Hotelco's Controller:

> Due to its size, Partner G wants to focus on the big numbers, which is still not the case of Partner L, which wants to monitor more detailed accounting information (January 2005).

This argument was also advanced by the new Country Operations Manager when he noted that:

> Partner G aims at managing the group in a global way, because it cannot be looking at each individual hotel when it has more than 3,500 hotels to manage (July 2006).

Partner L required much more detail to be given in the annual operational budget commitments, as compared with what Partner G required (even more than Partner G asked for in 2006). This was particularly evident in relation to human resources. Hotelco's hotel managers had to continue providing information about, among others things, absenteeism, overtime, and training costs for each employee in their hotels. As personnel costs are a major expense for hotels, detailed financial and non-financial information about human resources is seen as essential for the efficient management and stringent monitoring of these costs at individual hotels. Thus, to implement Partner L's MC logic, Hotelco's accountants introduced local practice variations into Partner G's global budgeting and budgetary control practices.

A second logic informing practice variations in Hotelco was the need to adapt to particular local circumstances. As such, some elements of MC were conceived locally, and were enacted with a degree of independence from the global MC systems (Orton and Weick, 1990; Basu *et al.*, 1999). One of these practice variations occurred in the operational budget commitments procedure; specifically in the written action plans required by Partner G. When this global planning and control procedure was first launched, Hotelco adopted it; as confirmed by one of Hotelco's hotel managers:

> For the first time we had to justify, through action plans, the increase or decrease of the annual budget *vis-à-vis* prior year figures [referring to the 2005 annual budget]. This leads us to analyse the characteristics of our local market, such as new competition, opening of new hotels in the area, etc. (August 2005).

Yet, over time, the use of these written action plans declined within Hotelco, suggesting a loosening of the coupling; as was explained by the following quotations:

> The importance of action plans depends on the past results and the economic context of each hotel. For instance, in the case of one of the hotels in the region I am responsible for, we considered, in its action plan, closing the restaurant at dinnertime. And we are already getting good results with this action. But, frankly, I do not normally read the action plan when analysing the P&L account of that specific hotel, although I admit that it was a useful exercise. But, for instance, during the presentation of the annual budget for the year 2006, I didn't even present the action plans of the hotels where I am in charge, and nobody asked for those plans! In my opinion they are not monitored as they should, but it is not easy to do it in practice (Hotel and Regional Brand Manager, May 2006).

> The incremental budgeting approach introduced by Partner G with a description of the actions that hotel managers are going to undertake to increase their hotel activity is perfectly understandable in theory, but difficult to implement in practice. It is not only difficult to monitor these action plans, but also to write them down. In any case, the action plans lead to reflection and materialization of concrete actions (Hotelco's Controller, January 2006).

> Action plans make sense not at hotel level, but at country-level, and as general guidelines. If we look at what hotel managers wrote in their operational budget commitments for the year 2006 it was not very relevant individually. But when we aggregated the data, the cumulated action plan gained relevance. For instance, when aggregating the action plans of our hotels

> we can see a tendency to target a different mix of individual market segments. This can alert us to the need for action by the Sales department so that we pay more attention to specific market segments and increase sales on them (Hotelco's Accounting and Finance Manager, December 2005).

In addition, in order to promote better cost management through systematically comparing costs in the room and food and beverage departments of each of the hotels operated by Hotelco, the previous Country Operations Manager asked for a second distinct element of MC. This was introduced at the beginning of 2005, after Hotelco's MC department developed a local (internal) benchmarking, based on historical P&L data and productivity ratios of all 30 Hotelco's hotels. This *local* benchmarking exercise was inspired by the results of a more global benchmarking exercise, based on Partner G's portfolio of hotels in the economy segment. However, while the latter exercise had quality control objectives and compared the hotels in the same competitive set (that is with similar room prices) in different countries, Hotelco's internal benchmarking was more financially oriented and limited to its hotels in Portugal. The local benchmarking reports encouraged hotel managers to identify areas where they could become more efficient in managing their hotel costs. A hotel manager from the midscale segment explained:

> Every month, I can access the updated internal benchmarking available on the Hotelco Intranet and compare my hotel with others in the JV. Last month, for instance, my hotel showed a better ratio of cleaning personnel costs divided by the number of rooms let, than the group of hotels belonging to the same brand. Two factors contributed for this accomplishment: the outsourcing strategy I adopted for the cleaning of rooms in my hotel, as well as a good occupancy rate. In my opinion, the internal benchmarking exercise is excellent for hotel managers to learn from each other (December 2005).

Finally, as Hotelco's new Country Operations Manager wanted to ensure that his hotel managers react quickly to possible changes in the Portuguese marketplace, he introduced an adapted version of the "Forecast four months" at the beginning of 2006. Although this reproduced Partner G's "reactivity idea", the following comment by Hotelco's Accounting and Finance Manager indicates that this local transformation is somewhat "distinctive" from the Partner G's global MC system:

> We implemented a local rolling forecast exercise, which is the source [of information] to respond to the "Forecast four months" requested by Partner G. However, their processes are different (June 2006).

This means that Hotelco's hotel managers have had to:

- forecast a set of measures (sales per main segments, total and departmental personnel and energy costs, and gross margin);
- reflect on, and adjust if necessary, the cost estimates prepared by Hotelco's MC department for each level of projected activity; and
- undertake this exercise at the 6th, 16th, and 26th of every month for the remainder of the current month, and for the subsequent three months)[10].

Here we can see how local actors translated the globally-conceived MC systems into day-to-day working practices according to multiple and different logics. This gave rise to a local MC system, which comprised various practices – some of which were connected (i.e. coupled) to the global MC system, while others were separated from it (i.e. distinctive). Although the global MC systems did become part of the day-to-day MC activities at Hotelco, practice variations were created by local adaptation of those systems. As such, the local MC system was neither tightly coupled, nor decoupled from the global MC system. On the contrary, although the local MC system responded to the logic and requirements of the global system, it also deviated from it.

Therefore, borrowing from Orton and Weick (1990), we would argue that the local actors in Hotelco have developed a loosely coupled MC system. By adapting the global MC logic, when it crossed Hotelco's boundaries, the managers in Hotelco maintained the legitimacy and autonomy of their organisation by simultaneously meeting the demands of Partner G and satisfying the interests of both Partner L and Hotelco. Consequently, Orton and Weick's (1990) dimensions of responsiveness and distinctiveness are both present in the local MC system. In this case, practice variations have their origins in the need to respond to diverse logics and demands; those of Partner L and specific local circumstances emanating from the interactions of the external marketplace and internal efficiency requirements. Thus, the MC system at the local level has been influenced by both institutional and technical forces, which, in this case, do not seem to be in a dialectical tension. As a result, the local adaptation of the global MC systems, and the resulting practice variations were accomplished in a somewhat complementary way. In contrast to the arguments/findings of Seo and Creed (2002) and Hopper and Major (2007), our case suggests that the loosely coupled elements, that integrate the systems through which relations are produced and reproduced in organizations, can be quite coherent. Their loose coupling is not necessarily an indication of tensions or conflicts in those relations. In our case the MC rules and procedures through which relations have been produced at Hotelco are composed of loosely coupled elements, but the local MC system is coherent with both Partner G's rules and procedures, and Partner L's and local logics. However, as suggested by Beekun and Glick (2001), loosely coupled elements are not necessarily static but can be dynamic over time; in other words they can become more or less coupled. Having arrived at this dynamic view of the evolving nature of the practice variations, we are now in a position to address our research questions; this we will do in the following and final section of our paper.

Conclusion

In this study, we have examined how the MC rules and procedures imposed by a global hotel chain were adapted by a JV set up with a Portuguese partner in the hospitality industry in Portugal. As in other GCs, the corporate HQ of this global hotel chain has established standardized operating rules and procedures, such as MC systems, and diffused them throughout the group in order to ensure a convergence of global goals and practices. In our study we found that the coercive pressures applied by the global parent encountered little resistance at the JV, and the global MC systems were integrated into the JV's MC practices – as they were embedded with norms and logics of efficiency common in the hotel industry.

In line with the recent trends in neoinstitutional theory, and in particular with Hopper and Major (2007), we had expected that where institutional and technical pressures exerted on such a dependent organization coincide, the externally imposed systems are quite likely to become institutionalized. However, although we did find that there was little local resistance to the institutionalization of the imposed global MC systems, practice variations were introduced by the managers of the JV. They were able to develop a local MC system, which was composed of some elements, which were connected to the demands of the global actor, and other elements, which were the result of local adaptations of the global MC system. As such, we can conclude that practice variations can occur, even where organizations on which practices are imposed do not resist their institutionalization. In other words, actors in dependent organizations may adapt these "externally" imposed systems when integrating them into internal day-to-day work processes. Such practice variations can be necessary due to the existence of multiple and diverse logics. Furthermore, it is these multiple and different logics that shape the nature of the practice variations.

Thus, dialectical tensions between the institutional and technical may not be a necessary condition for practice variations in dependent organizations. In our case, multiple logics informed the consciousness (praxis) of local actors, and led them to adapt the imposed global systems. Thus, we can conclude that:

- where organizational environments (fields) comprise multiple logics, local actors may introduce practice variations; but
- these variations do not necessarily result from conflicting institutional and technical logics; the exercise of agency in the dependent organizations can shape practice variations, even where institutional and technical pressures coincide.

This is rather different to what has more conventionally been suggested by neoinstitutional theorists and accounting researchers who have drawn on institutional theory (see among others, Seo and Creed, 2002; Lounsbury, 2008; Dillard *et al.*, 2004; Hopper and Major, 2007).

We also conclude that a loosely coupled system, as opposed to a tightly coupled system, is the most likely response from individual organizations faced with multiple, and non-conflicting logics. In our case, the global MC system imposed on the JV and the local MC practices used internally to manage its activities were connected (responsive). But they were also distinctive (independent) in at least some respects. Moreover, the variations, which were introduced into the local MC practices, did not alter the status or legitimacy of the global MC systems (Basu *et al.*, 1999). As such, the MC systems in the JV can be portrayed as loosely coupled, comprising independent components that act responsively (Orton and Weick, 1990). In other words, both dimensions of connectedness and distinctiveness are present in the local MC system. As such, our study helps to sharpen the distinction between loose coupling, decoupling and tight coupling.

Now we can return to our two research questions. In our case study we saw how the intertwining of coercive and normative pressures led Hotelco (the JV) to implement the MC systems imposed by its global parent. Furthermore, as the institutional and technical dimensions were not in conflict, Hotelco integrated the global systems into its day-to-day practices. However, as Hotelco faced multiple logics (e.g. global, Partner L, local), it adapted the global systems to produce local practices, which satisfied the different logics and demands. It was able to do this by loosely coupling its MC practices, making them responsive to the global MC system of Partner G, but also distinctive in ways, which enabled Hotelco to meet local market conditions and the demands of Partner L. Thus, insights from neoinstitutional theory were helpful (research question 2) in explaining why the JV institutionalized the MC systems imposed by the global parent at the same time as introducing practice variations (research question 1). In addition, our study has extended the scope of neoinstitutional analysis in accounting, by using institutional theory to address issues relating to the imposition of MC systems by global actors, and by showing that practice variations in such systems can occur even where local actors do not resist the institutionalization of the imposed systems.

Thus, our case illustrates that by studying GCs as institutionalized environments we can explore local practice variations. GCs use global MC systems to align local practices with global policies and procedures, but in implementing the global systems the dependent organizations may be faced with multiple logics and demands, which can be a source of practice variation at the local level. However, we saw in Hotelco that local practice variations are not necessarily due to tensions between institutional and technical requirements. Local practice variation may be necessary to satisfy the different, although complementary logics at the local level.

This suggests that local practice variations may be necessary in order to implement global systems. Attempts to rigidly apply "global systems" to create a homogeneous set of practices across the globe may be very difficult, as each locale will have its own specific needs and environments. Thus, local practice variations may be inevitable. Barrett *et al.* (2005) refer to an example provided by Beck (2000). Mexican food is now a global product; it is available in many countries around the world. However, what Mexican food means in Mexico, may be quite different from what it means in the UK, Portugal, Australia, the USA, etc. We could say that Mexican food has only become a successful global product because of these practice variations. As such, practice variation may actually contribute to the creation of global practices, and thereby make globalization possible. However, although this requires further research, our study provides an approach, which can be used to study practice variation in global/local contexts and their contribution to the process of globalization. More qualitative studies of MC and other accounting practices within GCs will be helpful to refine our understanding of these issues.

Epilogue

At the end of June 2007, Partners G and L announced that their JV would come to an end in September 2007 (which happened). The reason was that each partner wanted to invest in different segments of the hospitality business in Portugal: upscale resort lodging segment in the case of Partner L, and urban midscale and, in particular, economy and budget segments in the case of Partner G. They split the business by selling the only upscale resort hotel in the JV to Partner L, and all the other hotels to Partner G. Both partners added that they might collaborate in future projects in view of the strong and successful liaison they had enjoyed over the previous 19 years.

Notes

1. The concept of logic, which refers to broader cultural beliefs and set of rules that structure knowledge and guide decision-making in a field, has recently been introduced into neoinstitutional analysis – see, e.g. Lounsbury, 2008.
2. We will use the terms management control (MC) and management accounting (MA) interchangeably throughout this paper.

3. Seo and Creed's (2002) perspective on institutional change is based on the dialectical approach that Benson (1997) developed to reformulate institutional theory.
4. By adopting a compromise, avoidance, defiance or manipulation strategy (see Oliver, 1991 for further details). However, the avoidance strategy (also termed decoupling) has received considerable attention in neoinstitutional theory (see Scott, 2001).
5. The hospitality sector is a good example of this globalizing phenomenon, as international hotel chains are growing worldwide (Jones, 1999; Harris and Mongiello, 2001), as well as facing an increasingly competitive and crowded global marketplace (Brotherton and Adler, 1999).
6. Lukka uses the terms rules and routines because the starting point of his analysis was Burns and Scapens' (2000) institutional framework, where rules are depicted as the formal ways in which "things should be done" and routines as the informal practices actually in use.
7. Moreover, Lukka (2007) concluded that in his case organisational change emerged in a different way to that described by institutionalists, such as NIS scholars and Burns and Scapens (2000). For them, change in the formal system (rules) often allows the informal procedures to remain intact, whereas in Lukka's case the opposite occurred.
8. Its HQ resides in this European country.
9. GOP is defined as the hotel income before management fees and fixed charges. It is different from the hotel gross margin, which is, first, calculated by operating department (e.g. rooms, food and beverage, and others) after deducting its direct costs from its revenues, and then, calculated by hotel after adding up the gross margins of its different operating departments. GOP is measured by deducting unallocated operating expenses of the hotel (including administrative and general expenses, property maintenance, and so on) from its gross margin.
10. Due to reduced personnel and the very low advance room reservations in the economy hotel segment, from March 2006 these hotel managers have had to produce the local rolling forecast only at half month intervals, rather than three times per month; as is required for hotels of the mid- and up-scale segments.

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