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Shareholder orientation and the framing of management control practices: A field study in a Chinese state-owned enterprise

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ABSTRACT

This paper explores how notions of enhanced shareholder orientation influenced the evolution of management control practices in a Chinese state-owned enterprise over a ten-year period. Drawing on the social movement literature and adopting a historically informed field study approach we examine how this took the form of a protracted framing process where an emerging, shareholder-focused frame interacted with the extant work unit frame embedded in Maoist ideology and the broader cultural system of Confucianism and imbued control practices with context-specific meanings. Particular attention is paid to how this interplay fostered varying degrees of frame alignment, denoting the extent to which particular frames are congruent with those enacted by various social actors, and how this affected organisational action. We illustrate how the shareholder-focused frame challenged extant control practices but was also complemented and ultimately replaced by the work unit frame to address an escalating performance crisis. These findings lead us to reflect on how resistance to shareholder-focused control practices is brought about and what roles alternative and more deeply embedded frames play in constraining as well as enabling collective action. We also discuss how the approach to framing informing our analysis may complement cognate accounting research drawing on notions of performativity and social psychology.

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Introduction

Over the past two decades a notable wave of change in corporate governance discourse and practice epitomised by increasing demands for accountability and returns to shareholders has swept across many parts of the world (Fiss & Zajac, 2004; Meyer & Höllerer, 2010; Roberts, Sanderson, Barker, & Hendry, 2006). This increasingly global quest for enhanced shareholder orientation has taken

the form of a social movement underpinned by a pronounced ideological commitment to economics-based conceptions of the firm (Davis & Thompson, 1994; Lazonick & O'Sullivan, 2000). Following the tenets of especially agency theory much of the unfolding corporate governance discourse has pivoted on how to devise performance contracts that ensure that the goals and interests of managers are aligned with those of shareholders (Dobbin & Jung, 2010; Roberts, 2001; Zajac & Westphal, 2004). Accounting scholars have taken increasing interest in how this ideological shift towards enhanced shareholder orientation shapes management accounting and control practices and how various actors go about resisting such practices (e.g., Ezzamel & Burns, 2005; Ezzamel,

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Willmott, & Worthington, 2008; Kraus & Strömsten, 2012). We extend this line of inquiry to a state-owned enterprise (SOE) in the People's Republic of China (PRC) and ask how this ideological shift influenced its management control practices.

Whilst definitions of ideology abound we adhere to Gerring's (1997, p. 980) core definition of the concept as a reasonably stable and coherent "set of idea-elements that are bound together, that belong to one another in a non-random fashion" and guide politically motivated actions. This definition stresses the consistency of meanings as a key attribute of ideologies and foundation for societal governance regimes. However, several authors have emphasised the need to extend the analysis of ideologies as a society-level phenomenon to examine how their meanings are transformed in particular organisational contexts (e.g., Brunsson, 1982; Meyer, Sahlin, Ventresca, & Walgenbach, 2009). To examine this phenomenon we mobilise the concept of framing, denoting the process through which ideologies imbue management control practices with more or less shared, context-specific meanings. A key assumption behind this approach is that ideologies constitute an important source of inspiration for the more specific frames, or interpretative schema, that make social practices meaningful. But emerging ideologies are not necessarily identical with such frames as the latter are also influenced by extant and more context-specific meaning systems. We pay particular attention to how the focal framing process was fuelled by the emerging, shareholder-focused ideology as well as extant frames embedded in Maoist ideology and the broader cultural system of Confucianism and the consequences this had for organisational action.

Whilst the literature on framing informing contemporary organisational analyses is very diverse (see Cornelissen & Werner, 2014), prior accounting research using this concept mainly falls into two categories. One stream of studies extends economics-based models with insights from social psychology to examine how the meanings attached to implicit contracts condition the propensity for self-interested behaviour (Christ, Sedatole, & Towry, 2012; Rowe, 2004; Rowe, Birnberg, & Shields, 2008). In doing so, they start from the premise that there is an innate tendency for misalignment of interests in organisations (epitomised by the notion of agency problems) which is either amplified or mitigated by socio-cognitive framing processes. However, they do not delve into the wider political dynamics influencing such processes. This mirrors the more general lack of attention to socio-political processes in accounting research informed by social psychology (see Luft & Shields, 2009). By contrast, we consider it vital to nurture such a focus as the movement towards enhanced shareholder orientation is not a politically neutral but often ideologically contested phenomenon (e.g., Fiss & Zajac, 2006; Meyer & Höllerer, 2010).

An alternative stream of research placing socio-political processes centre stage can be found in the burgeoning accounting literature mobilising a performative perspective on framing (e.g., Christensen & Skærbæk, 2007; Miller & O'Leary, 2007; Skærbæk, 2009; Skærbæk &

Tryggstad, 2010; Vinnari & Skærbæk, 2014). Rooted in actor-network theory and especially the work of Callon (1998), this research genre examines how accounting as a calculative practice is implicated in framing various phenomena in such a way that it performs, rather than merely reflects, social realities and becomes more or less self-fulfilling. Emphasising the inherently fluid nature of such processes it has tended to view shared meanings, or social consensus, as a temporary and fragile state which may be destabilised at any point in time. Whilst this offers valuable insights into how ongoing framing processes unfold several accounting scholars have raised concerns that the performativity literature has paid insufficient attention to the ideologies underpinning broader programmes of societal transformation (Miller, 2008; Vollmer, Mennicken, & Preda, 2009; Vosselman, 2014). Miller (2008, p. 59) argued that its "almost exclusive interest in calculative practices has tended to relegate the domain of 'ideas' or 'programmes' to the penumbra of analysis". Similarly, in a comprehensive review of the performativity literature, Vosselman (2014, p. 199) called for greater sensitivity to the "virtual and 'unlocalisable' historically developing systems of ideology and power" that condition evolving accounting practices. Although the performativity literature does not negate the role of ideologies it tends to view them as merely one among many potential contingencies that bear on framing processes (Vosselman, 2014). However, more focused attention is required to how emerging ideologies interact with extant frames and how this interplay influences framing processes. This is especially the case where extant frames are firmly embedded in historically contingent meaning systems that are inconsistent with emerging ideologies. As noted by Ferraro, Pfeffer, and Sutton (2005), this may be expected to constrain the propensity of novel ideas and practices to become self-fulfilling. Explicit recognition of such constraints also helps us address more general criticisms of actor-network theory such as its "refusal to theorize structural stability" (Elder-Vass, 2008, p. 466) induced by embedded meaning systems.¹

To bring notions of ideology to the fore we follow the approach to framing advanced in the social movement literature (Benford & Snow, 2000; Snow, Rochford, Worden, & Benford, 1986). Whilst less extensively used in contemporary accounting research (Bay, 2011; O'Sullivan & O'Dwyer, 2015) this literature is centrally concerned with how the ideologies buttressing social movements foster shared meanings and a basis for collective action as well as how this phenomenon is influenced by more or less contested framing processes (Oliver & Johnston, 2000; Snow & Benford, 2000). Our findings show how the framing of control practices inspired by the shareholder-focused ideology was partly reconciled with more entrenched frames embedded in Maoism and Confucianism and gained some initial traction. However, in the longer term, extant frames continued to dominate the local level of the field study site and subverted the efforts to imbue control practices with a

¹ See Davis (2006), Fine (2003) and Fourcade (2007) for similar criticisms of the performativity literature for downplaying the influence of pre-existing social structures on framing processes.

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