Enacting governance at the local level through management control systems:

the case of a multinational energy company

Abstract

*Purpose*: This paper draws on the case of a multinational energy company to explore the role played by Management Control Systems (MCSs) in enacting governance policies at the local (subsidiary) level.

*Design/methodology/approach:* This research mobilizes the literature on governmentality to interpret MCSs as technologies of government that can be drawn upon to translate governance policies into practice. In particular, the authors discuss this process by interpreting ‘governance’ as an epistemic object, that is an object that generates knowledge because of its inherent incompleteness and abstract nature.

*Findings*: The paper shows how MCSs act as technical objects insofar they attract, bind and engage local subsidiary managers in the generation of knowledge about governance policies (i.e. the epistemic object) set at the global level, *thereby* enacting these policies locally.

*Practical implications*: The findings have practical implications by showing how subsidiary managers engage with MCSs in order to translate and implement broader governance policies in their daily activities.

*Originality/value:* This research contributes to the accounting literature on governmentality by showing the role of MCSs as technologies that enact governance at the local level through the process of knowledge generation that these technologies enable. Such knowledge is triggered by the engagement between different participating subjects, attracted by MCSs in the attempt to define governance in practice.

Keywords: Governance, epistemic object, technical object, management control systems, governmentality.

1. Introduction

Governance has been broadly defined as a set of mechanisms through which organizations are governed effectively and efficiently (Demirag, Sudarsanam, & Wright, 2000; Drori, 2006; Malmi & Brown, 2008; Bhimani, 2009; Strange, Filatotchev, Buck, & Wright, 2009). The concept of governance is intrinsically ambiguous (Ysa, Albareda, & Forberger, 2014) and has been generally referred to the formal lines of authority and accountability (Abernethy & Chua, 1996), as well as the structures in place to ensure that managers from different functions and organisational units coordinate their activities both vertically and horizontally (Malmi & Brown, 2008).

Due to their complex structure, multinational organizations face the challenge of spreading and enacting the governance policies set by the headquarters throughout the different local units, thereby overcoming geographical and cultural distance (Dent 1996; Malmi & Brown, 2008; Strange et al., 2009; Sageder & Feldbauer-Durstmüller, 2019). One of the key issues these organizations face is to ensure that global governance policies are ‘understood’ and implemented across organisational units located in different countries (Malmi & Brown, 2008; Sageder & Feldbauer-Durstmüller, 2019). These issues are amplified by the inherent incompleteness and abstract nature of the concept of governance (Ysa, Albareda, & Forberger, 2014), which has been defined as an ‘empty signifier’ (Offe, 2008), implying “different things depending on who is using the concept and under which context” (Ysa, Albareda, & Forberger, 2014, p. 8).

Prior accounting studies have recognised that Management Control Systems (MCSs) can be drawn upon to spread global governance policies throughout organizational subunits by increasing “the probability that organisational actors will behave in ways consistent with the objectives of the dominant organisational coalition” (Abernethy & Chua, 1996, p. 573). In particular, MCSs have been defined as “techniques and processes […] designed for all levels of behavioural influence: individuals, small groups, formal subunits and the organisation as a whole” (Flamholtz, Das, & Tsui, 1985, p. 36; see also Simons 1995; Tessier & Otley, 2012) able to support multinational organizations achieving goal congruence (Chow, Harrison, McKinnon, & Wu, 1999; Harzing & Sorge 2003; Sageder & Feldbauer-Durstmüller, 2019; Malmi & Brown, 2008).

In this regard, studies on governmentality have emphasised the role of accounting in implementing governance at the macro-level (Kurunmäki & Miller, 2011). Prior studies have argued that accounting practices act as mechanisms for establishing connections and sustaining relationships between “highly abstract values and goals” of governance and day by day activities within organizations (Kurunmäki & Miller, 2011, p. 222; see also Rose & Miller, 1992). Kurunmäki and Miller (2011) have noted that while governmentality studies have proven useful in analysing large-scale shifts in ‘modes of governing’, only limited attention has been given to situations where local users have to cope with the disciplinary accounting technologies devised for the implementation of broad governance policies. More recently, Jeacle (2015) called for further research to uncover how ‘macro agendas’ are enacted through calculative technologies at the organizational subunit level. Similarly, other accounting studies have highlighted the need to further explore how managers interpret global governance policies and translate them into their daily activities (Stacchezzini, Rossignoli, & Corbella, 2020; Ahrens & Khalifa, 2013; Ahrens, Filatotchev, & Thomsen, 2011; Brennan & Kirwan, 2015; Parker, 2018). In particular, Ahrens et al. (2011) called for further research on “practical understandings” regarding how managers interact and share information to implement governance policies within organizations, as without such “understandings” governance remains “an incomplete practice” (p. 231).

In this paper, we draw on the case of a multinational energy company, named BETA[[1]](#footnote-1), to explore the role played by MCSs in enacting governance policies at the local (subsidiary) level. In particular, we analyze the implementation of a governance policy set by BETA headquarters within the Oil&Gas subunit. We mobilise the literature on governmentality to interpret MCSs as technologies of government able to translate governance policies into practice. We discuss this process by interpreting ‘governance’ as an epistemic object, that is an object that generates knowledge because of its inherent incompleteness (Rheinberger, 1997; Knorr Cetina, 1997). Given its abstract nature (Rheinberger 2005, Ewenstein & Whyte, 2009), the epistemic object prompts a desire to fill the knowledge gaps it entails, thus fostering collaboration and engagement among individuals (Nicolini, Mengis, & Swan, 2012).

By relying on the notions of epistemic and technical objects (Knorr Cetina, 1997; Ewenstein & Whyte, 2009), we explain how abstract governance policies are enacted through MCSs. In particular, we interpret MCSs as technical objects that define in practice the ideal object of inquiry. We argue that MCSs act as technical objects insofar they attract, bind and engage local subsidiary managers in the generation of knowledge about abstract governance policies (i.e. the epistemic object) set at the global level, *thereby* enacting these policies locally.

We contribute to the accounting literature on governmentality by showing the role of MCSs as technologies that enact governance at the local level through the process of knowledge generation that these technologies enable. Such knowledge is triggered by the engagement between different participating subjects, attracted by MCSs in the attempt to define governance in practice. Therefore, our study provides both theoretical and practical implications by offering empirical insights on how MCSs support subsidiary managers in their efforts to translate and enact broader governance policies in their daily activities.

The paper is structured as follows. Section 2 reviews prior accounting studies on governmentality. In Section 3, we introduce our interpretative lens which combines the literature on governmentality with a number of studies that have used the notions of epistemic object and technical object to explain how abstract concepts are moulded in practice. Section 4 introduces our research methodology, while Section 5 analyses how a governance policy set by BETA headquarters has been enacted through MCSs within the Oil&Gas subunit. The discussion of our findings is presented in Section 6, while Section 7 summarizes the main contributions of the paper.

1. Governmentality and accounting

Miller and Rose (1990) leveraged Foucault’s conception of ‘governmentality’ (1991) to develop a new way of conceiving and understanding how power operates in contemporary liberal democracies. In particular, they argue that to understand power today, we need to move ‘beyond the state’ and explore the vast range of means by which the behaviours and actions of individuals come to be indirectly shaped and governed (Miller & Rose, 1990; Rose & Miller 1992).

According to Miller and Rose (1990) governing is a problematizing activity. They argue that for governing to occur there must be a problem to solve, a justification for intervention. This ‘problem’ needs to find a space within a “discursive field” to become identifiable, knowable and definable (Miller & Rose, 1990, p. 5). Once it has acquired a ‘discursive frame’, the problem is shaped and translated into a programme of government, which comprises a more concrete form of goals and objectives: “to have problematized a particular activity or technique is part and parcel of that process of articulating a new set of proposals that promise to remedy the deficiencies of existing ways of managing and calculating” (Miller & Rose, 1993, p.189).

Programmes of government are therefore portrayed as the discursive frameworks through which political rationalities are represented, policies are defined, and the objects and objectives of government are specified (Miller & Rose, 1990). Governing any area of interest firstly requires its representation in a way that facilitates its entry into “the sphere of conscious political calculation” (Rose & Miller, 1992, p.181). Programmes of government provide the mechanisms that allow ideals of government to be implemented (Radcliffe, 1998; Miller & Rose, 1990). They encompass the ideas of experts and specialists, individuals, committees and other organisations, and are embodied in reports, proposals and plans. While political rationalities provide general representations of the world, programmes of government set out discursive frameworks for action (Radcliffe, 1998) that are designed to address the problems and failures of governance (Rose & Miller, 1992). In this sense, governance policies act as programmes of government, providing organizations with an idealized frame for the ruling, management and order of the organization itself.

Programmes of government do not work by themselves, though. While governmentality has a typically programmatic form, its concrete implementation is inextricably bound to the technologies that seek to give it effect: “it is through technologies that political rationalities and the programmes of government they articulate become capable of deployment” (Miller & Rose, 1990, p.8; Hacking, 1983). Technologies of government are “calculations, techniques, apparatuses, documents and procedures through which authorities seek to embody and give effect to governmental ambitions” (Rose & Miller, 1992, p. 175). In this sense, technologies of government refer to the actual mechanisms through which specific authorities attempt to shape the thoughts, decisions, and aspirations of others in order to achieve the objects and objectives they consider politically desirable.

Prior studies on governmentality have emphasised the role of accounting practices as technologies of government able to establish connections and sustain relationships between “highly abstract values and goals” of governance and day by day activities within organizations (Kurunmäki & Miller, 2011, p. 222; Hopwood, 1983; Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Miller & O’Leary, 1987; Miller, 2001). In particular, these studies have argued that accounting practices enable governance ‘at a distance’ as they make spaces calculable (Miller & Rose, 1994; Miller & Napier, 1993). This facilitates the formation of centres of calculation, which allow remote and distant realities to be knowable and controllable (Rose & Miller, 1992; Jeacle, 2015). In this way, “authorities can act upon, and enrol those distant from them in space and time in the pursuit of social, political or economic objectives” (Rose & Miller, 1992 p.187).

Neu and Heinke (2004), for instance, draw on the literature on governmentality to show how accounting techniques, such as financial and monetary relations, were used by the government “to translate macro policy objectives into practice” in the Chiapas and Oka indigenous contexts and “how these techniques co-existed with and relied on techniques of force” (Neu & Heinke, 2004, p. 201). Along these lines, Spence and Rinaldi (2014) use the governmentality framework to analyse how sustainability accounting, as a ‘regime of practice’, “shaped forms of power, rationales and practices” within a major supermarket chain in the UK (Spence & Rinaldi, 2014, p. 433). Further, Kurunmäki and Miller (2011) explore the role of MCSs (e.g. pooled budgets) as ‘mediating instruments’ able to stimulate inter-organizational and inter-professional cooperation across administrative and professional boundaries in the attempt to make large scale and highly abstract governance reforms operable within public organizations. More recently, Jeacle (2015) draws on the case of a UK fashion chain to examine the role of calculative accounting technologies as ‘mediating instrument’ (see also Miller & O’Leary, 2007) able to reconcile different actors and domains, thus enacting quick response, sustaining fast fashion and “the governance of everyday dress” (p. 305).

While these studies have analysed the role of accounting in implementing governance policies at the broader macro-level, little is known about how these governance policies become articulated at the micro-local level through the aid of accounting technologies (Jeacle, 2015; Kurunmäki & Miller 2011). Recent studies have called for further research to explore what happens when local users inside organizations engage with broader and abstract governance policies (Neu & Heincke, 2004; Spence & Rinaldi, 2014; Jeacle, 2015). These issues are particularly relevant in multinational organizations, as they face the challenge of spreading and enacting governance policies set by the headquarters throughout different organizational subunits (Dent 1996; Malmi & Brown, 2008; Strange et al., 2009; Sageder & Feldbauer-Durstmüller, 2019). In this regard, the literature recognises the relevant role of MCSs in supporting multinational organizations achieving goal congruence (Chow et al. 1999; Harzing & Sorge 2003; Sageder & Feldbauer-Durstmüller, 2019; Malmi & Brown, 2008) and calls for further research to explain how MCSs “act as intermediaries by connecting actors, agencies and aspirations” (Kurunmäki & Miller 2011, p. 238). Further, Neu and Heinke (2004) suggest examining a single site to better understand how the engagement between macro governance policies and local organisational actors takes place, thus making governance happen in practice.

In this paper, we aim to extend prior studies on governmentality and accounting by exploring the role of MCSs in enacting global governance policies at the local (subsidiary) level. We do so by relying on the insights offered by literature on epistemic and technical objects.

1. Epistemic objects, technical objects, governance policies and MCSs

Knorr Cetina (1997) defines epistemic cultures as cultures of knowledge production that include a set of “arrangements and mechanisms which, in a given field, make up how we know what we know” (Knorr-Cetina 1999, p. 1). Cultures are ‘epistemic’ insofar they concern the material practices and instruments that define knowledge and social belief. The study of epistemic cultures focuses on the notion of ‘epistemic objects’ (Knorr-Cetina 1999; Rheinberger 1997; Nicolini et al., 2012). According to Rheinberger (1997), an object of investigation that is in the process of being materially defined works as an epistemic object.

Epistemic objects are open-ended and provide for a source of interest and motivation by virtue of their “material transcendence”, which is “what arouses interest in them and keeps them alive as targets of research” (Rheinberger 2005, p. 406). As further emphasised by Ewenstein and Whyte (2009) “epistemic objects are abstract in nature: they are the objects of inquiry and pursuit” (p. 9). However, although being abstract, epistemic objects take form when technical objects mould them into practice (Ewenstein & Whyte, 2009).

Technical objects are ready-to-hand instruments that stand in contrast to the question-generating epistemic object (Knorr Cetina, 1997). Technical objects are used to stabilise some aspects of the epistemic object and evolve others: through this dynamic relation, knowledge develops as the epistemic object is defined and refined (Ewenstein & Whyte, 2009). While the epistemic object is ideal and unattainable, technical objects allow professionals with different perspectives to make sense of it (Eckert & Boujut, 2003; Henderson, 1999). Technical objects, such as visual representations and material practices, bridge between the concrete and the abstract, “they are themselves concrete but also represent the abstract thing” (Ewenstein & Whyte, 2009, p.11) and constitute a “crucial dimension of the epistemic object as it is with these that practitioners interact when they develop knowledge” (Ewenstein & Whyte, 2009, p. 12). Therefore, the dynamic relation between epistemic objects and technical objects generate engagement and collaboration among individuals, either because this relation requires “joining forces or because the drive and desire toward the same object constitute the basis for mutual recognition and sense of belonging” (Nicolini et al., 2012 p. 614; see also Knorr Cetina, 1997).

Prior accounting studies have emphasised that MCSs operate as a medium through which different managers attempt to better understand certain aspects of the organization reality (Briers & Chua, 2001; Andon, Baxter, & Chua, 2007; Quattrone, 2009). By providing a common language among organisational members with diverse backgrounds, experiences and knowledge (Bui & De Villiers, 2017; Busco & Quattrone, 2015; 2018; Hall, 2010), MCSs align individuals’ actions with the overall organisational objectives (Merchant, 1985; Tessier & Otley, 2012; Malmi & Brown, 2008), converge employee behaviours (Abernethy & Chua, 1996; Hansen, Otley, & Van der Stede, 2003), foster interaction among different managers and perspectives (Ahrens & Chapman, 2004; 2007) and coordinate managers to achieve goal congruence (Bui & De Villiers, 2018; De Villiers, Rouse, & Kerr, 2016; Flamholtz et al., 1985;). While these studies have emphasised the role of MCSs in fostering interaction among users, little is known about the dynamics through which this interaction generates knowledge about organisational objectives and policies.

By relying upon the literature reviewed above, we suggest that the concepts of epistemic object and technical object may illuminate how governance policies are concretely enacted through MCSs. We interpret governance policies as epistemic objects insofar they provide an ‘idealized’ frame for the ruling and management of the organization itself (Miller & Rose, 1990). Their concrete implementation is bound to the technologies that seek to give them effect (Miller & Rose, 1990; Hacking, 1983). These technologies act as technical objects that define and redefine the ideal object of inquiry through the knowledge they generate. We argue that MCSs act as technical objects (Knorr Cetina, 1997; Ewenstein & Whyte, 2009) through which abstract governance policies (i.e. the epistemic objects) and participating subjects come together in practice.

In the next sections, we draw on the insights offered by the case of BETA as an opportunity to illustrate how governance policies are enacted in practice at the local (subsidiary) level through MCSs. First, we explain our research method.

1. Research method

4.1 Case background

Operating in more than 150 countries, BETA is a leading company in the energy sector offering a variety of products and services ranging from power generation (oil and gas and renewable energy) to medical imaging, financing and industrial products. Over the past thirty years, BETA has grown worldwide by acquisitions. This growth has challenged BETA’s operations and governance mechanisms. As suggested by one of BETA Oil&Gas internal auditors,

*Issues of governance and integration are central for a company that is characterised by more than 2,000 accounting systems, 7,000 different legal entities, as well as 100 billion transactions that have to be tracked, summarised, consolidated and communicated around the globe.*

The need to implement shared governance policies across subsidiaries operating in different countries requires BETA to develop *ad hoc* mechanisms to sustain the implementation of governance policies at the local level:

*Sound principles of corporate governance are critical to obtaining and retaining the trust of investors - and to achieving BETA’s overarching goal of performance with integrity. To this aim, we implement rigorous management control practices to measure and manage organizational performance as well as spread our governance principles within the organization.* [Senior Finance Manager (2)]

In 2005 BETA published its first “Citizenship Report”, with the aim of clarifying corporate expectations about the enactment of governance policies at the local (subsidiary) level. This report highlighted corporate performance, progress and challenges in a variety of areas, including compliance, globalization, the environment, health and safety. In this document, BETA introduced ‘Controllership’ as the key governance policy to clarify and communicate principles and procedures, which apply to business operations at every level of the organisation. Controllership is based on a dynamic system of controls and procedures (including internal controls over financial reporting) designed to ensure reliable, transparent financial reporting and disclosure, protection of physical and intellectual property, and efficient use of resources.

*Even the best governance policies are at risk if companies do not implement rigorous systems of performance measurement [MCSs], which should be at the very base of the culture of any organization. Within BETA we identify and summarise these issues with a single word: Controllership. Controllership is the core governance initiative that helps to establish a business culture rooted around uncompromised value-added results you can trust.* [former CFO BETA Oil&Gas]

Given BETA’s commitment towards enacting governance at the local level through *ad hoc* policies (such as ‘Controllership’), BETA provides us with an interesting setting to explore how governance is enacted and the role played by MCSs in this process. In particular, we analyze the implementation of ‘Controllership’ within BETA’s Oil&Gas subunit.

4.2 Data collection and analysis

This paper builds on a longitudinal qualitative field study. Given our aim is to explore how global governance is enacted locally in practice, the case study method is best suited for this research as it enables us to explore accounting and governance in *situ* and as they unfolded in practice. In this regard, the accounting literature has recognised the potential that field research has to illustrate and explain accounting ‘in practice’ (see, for instance, Eisenhardt, 1989; Ryan, Scapens, & Theobald, 2002; Ahrens & Dent, 1998).

Data for this study was obtained from multiple sources (Yin, 1989; Scapens, 1990), including semi-structured one-to-one interviews, informal discussions and the analysis of relevant documents provided by the managers of BETA. We conducted a longitudinal field study to observe the effects produced by the ‘Controllership’ policy as it unfolded over time. Controllership was introduced in 2004 and still constitutes one of the pillars of BETA’s governance (BETA’s Notice of Annual Meeting and Proxy Statement, 2020). From September 2004 to November 2012, we focused our attention on how Controllership was enacted within BETA’s Oil&Gas subunit. Since Controllership was introduced in 2004, our period of analysis, which covers 8 years, gave us sufficient time to observe how this initiative was enacted in practice following its introduction. During this period, we conducted 35 interviews with 18 key informants (see table 1 for a list of interviews). In particular, interviews were initially conducted at the headquarters and subsequently in several business departments of BETA Oil&Gas.

The research began with preliminary interviews with the former CFO of BETA Oil&Gas and with two senior finance managers. These interviews provided a background of the company and allowed us to collect various forms of documentation. Subsequently, managers from the sales, finance and operation departments were interviewed. Importantly, managers were asked about their understanding of BETA’s governance policies - and specifically Controllership - and the relations between those policies and MCSs. The views of the managers in the different departments were compared and contrasted to validate the empirical evidence and to draw out the main features of the case.

The interviews were conducted face-to-face, each one lasting between half an hour and two hours. Some informants were interviewed more than once to clarify the key issues that emerged as the study progressed. Different respondents were asked similar questions, in order to acquire different perspectives on the same issues, confirm understanding and avoid any interpretative bias (Ryan et al., 2002). To avoid directing or limiting answers, informants were allowed to discuss the various issues freely (McKinnon, 1988). Documentary materials, including company history, brochures, reports, and other published material were collected and triangulated with the interviews.

Further, data from different sources were analysed and coded by the researchers individually and then compared to enable data triangulation and comprehension (see Birnberg, Shields, & Young, 1990). All the data collected were coded and grouped according to the following main topics: Controllership, the role of MCSs, and the project budget. As the study progressed, we combined the emerging picture of the role of MCSs in enacting governance with the conceptual categories outlined in sections 2 and 3.

Our analysis offers an interpretive perspective that combines theory with insights from the field. In particular, the case of BETA Oil&Gas can be classified as explanatory (Scapens, 1990), as the empirical evidence is used to explore how governance is actually implemented throughout the organizational structure, as well as to understand and discuss the role played by MCSs in this process. In the following sections, we discuss and analyse how ‘Controllership’ was implemented and enacted within the BETA’s Oil&Gas subunit.

|  |  |
| --- | --- |
| Interviewees |  Interviews |
| N. | Contents |
| Former CFO of BETA Oil&Gas | 3 | Governance within BETA Oil&Gas; Controllership; the role of the finance unit within BETA Oil&Gas; MCSs in BETA Oil&Gas. |
| Senior finance manager (1)  | 2 | Governance within BETA Oil&Gas; the role of the finance unit as Controllership is enacted; the project budget. |
| Senior finance manager (2) | 2 | The role of the finance unit as Controllership is enacted; the links between the finance unit and other units; the project budget. |
| Divisional finance manager (1) | 2 | The role of the finance unit as Controllership is enacted; the project budget. |
| Divisional finance manager (2) | 3 | The project management process; the way in which the finance unit interacts with other units during the I.T.O. and the O.T.R phase.  |
| Internal auditor | 1 | Governance within BETA Oil&Gas; Controllership within BETA Oil&Gas, MCSs in BETA Oil&Gas |
| FP&A Manager (1) | 3 | The way in which the FP&A team enables Controllership to be operationalised; the links between the FP&A team and other units. |
| FP&A Manager (2) | 1 | The way in which the FP&A team enables Controllership to be operationalised. |
| Sales manager  | 2 | The project management process; the project budget. |
| Project Manager (1) | 4 | The project management process; the management of risks during the I.T.O phase; the way in which Controllership is enacted; the project budget. |
| Project Manager (2) | 2 | The project management process; how the finance organisation interacts with other functions during the O.T.R phase. |
| Production engineer | 1 | The project management process; the project budget. |
| Operation Manager | 1 | The project management process; the project budget.  |
| FP&A analyst | 2 | The way in which the FP&A team enables Controllership to be operationalised; the metrics used by the FP&A team in dealing with other units. |
| Cost analyst | 2 | The way in which manufacturing finance operationalises the principles of Controllership during the project management; the project budget. |
| Commercial finance expert | 2 | The way in which commercial finance participates in the project management framework; processes of interaction between commercial finance and the sales force; the project budget. |
| Sourcing Manager | 1 | The way in which Controllership is operationalised; the project budget.  |
| Mechanical Engineer | 1 | The project budget.  |
| Total |  35 |  |

Table 1 – Schedule of interviews (September 2004 – November 2012)

1. Enacting ‘Controllership’ within BETA Oil&Gas

Controllership is a key governance policy within BETA, as it clarifies and communicates principles and procedures, which apply to business operations at every level of the organisation. The principles and procedures of Controllership are listed in BETA’s integrity policies’ booklet titled ‘the Spirit & the Letter of our commitment’ which is delivered to every single BETA’s employee. As mentioned in the booklet, the key outputs of Controllership are:

- *compliance* with applicable laws, generally accepted accounting principles, standards, and regulations for accounting and financial reporting;

- *integrity* in communications, which shall ensure timely, accurate and complete financial information for use in reports to management, investors, regulators and other stakeholders;

- rigorous processes in terms of *performance measurement*, communication and knowledge sharing to ensure that management decisions are grounded on sound economic analysis based on complete facts with appropriate consideration of short and long term risks.

As argued by a senior finance manager within BETA Oil&Gas:

*Issues of integrity and compliance represent the basis of our Controllership framework. The proper recording of transactions, the accurate preparation of reports, as well as the identification and management of risks are milestones that every BETA’s business unit is required to put in place to build a solid Controllership infrastructure.*

The senior finance manager further emphasises the importance of rigorous performance measurement systems as a key output of Controllership:

*Controllership extends far beyond the policies, procedures and systems in place to ensure compliance with regulatory requirements, to include rigorous processes and practices for measuring and managing organisational performance as well as for sharing insightful information and experiences within the organisation.*

It follows that Controllership requires a broadened framework that relies on the ability of the Finance and Operation units to collaborate in understanding the risks involved in the business as well as the potential opportunities that may arise:

*International accounting standards, laws and regulations represent only one aspect of an intra-organisational partnership [among operations and finance managers] that builds on the metrics of performance measurement to monitor the actual and potential contribution of business processes and achieve the company’s targets in terms of profitability and growth.* [former CFO of BETA Oil&Gas]

In the attempt to implement Controllership through rigorous control systems the Finance unit plays a key role:

*Finance experts enable governance principles to be communicated throughout the organisation [...] Everyone [...] recognises that Controllership materialises in practice from an upfront involvement of the Finance unit as an independent cross-functional business partner whose action is characterised by performance orientation, prudent risk-taking and extensive diffusion of financial knowledge to complement the expertise of other relevant organisational players.* [divisional finance manager (1)]

Within BETA, the Finance unit is built around a series of sections: *Financial Planning and Analysis* (FP&A); *Divisional* *Finance Managers; Manufacturing Finance* – the department traditionally responsible for cost accounting – and *Commercial Finance* – the section that actively participates in the inquiry-to-order phase of the business. They all play an important role in driving Controllership in day-by-day operations through rigorous MCSs. The FP&A team is responsible for all financial reporting and analysis requirements (Profit & Loss, Balance Sheet, Volume). This team is instrumental in ensuring the integrity of the financial statements that are essential for Controllership purposes. FP&A managers describe their position as central in terms of communication and integration, providing a liaison among finance, front-end businesses, and the headquarters, as well as spreading a degree of ‘financial awareness’ that is perceived as crucial to keep performing with integrity.

Alongside the FP&A team, divisional finance managers supervise budgeting and reporting within the individual functions. By reporting directly to the CFO, they provide strong support to the businesses in following up year-to-date figures and estimates.

Aiming to explore how BETA Oil&Gas’s managers enact Controllership through the aid of MCSs, in the next section we analyze BETA Oil&Gas’ project management process. In particular, we show how different participating subjects (e.g. finance experts, cost analysts, operations managers, production engineers, and project managers) engage with MCSs, and specifically with the project budget, in the attempt to define governance in practice:

*One of the best ways to understand the role of MCSs within BETA’s governance is to look at our project management process […] This shows how finance experts engage with operations and other functions while bringing Controllership into the field.* [senior finance manager]

5.1 Making Controllership happen through MCSs: the project management process and the project budget within BETA Oil&Gas

Within BETA Oil&Gas, projects are managed through a formal process labelled project management framework (PMF). This process is divided into two main phases: Inquiry-to-Order (I.T.O.), and Order-to-Remittance (O.T.R.). Then, after the project has been delivered to the customer, the phase of service and the warranty period follow (see figure 1).



Figure 1 –The project management framework in BETA Oil&Gas

The I.T.O. phase begins in any location worldwide where BETA Oil&Gas has its regional managers and is segmented into a three-step Risk process (R1, R2, R3). At the beginning of the I.T.O. process (phase R1), sales managers are responsible for the different customer inquiries that must be promptly analysed and evaluated together with operation managers to decide whether it is convenient to continue the discussion with the customer over a specific inquiry in light of the proposed terms and conditions.

Within the R2 phase, sales managers and commercial experts engage with risk assessment, legal and engineering functions to evaluate the overall likelihood of the deal. Importantly, during the entire I.T.O. process, experts from the manufacturing finance act as business consultants to ensure that the profitability of the proposed deal is in line with the various risks (i.e. legal, financial, environmental, safety, operational, etc.) involved in the project. As emphasised by a sale manager:

*The core of any R2 phase is the Commercial Review Board (CRB) where all functions (e.g. finance, commercial and operation experts) participating in the I.T.O., meet to discuss the risks involved in the project. The purpose of this meeting is to decide how to manage key issues such as country risks, currency risks, credit risks, change order risks, performance risks and, eventually, to what extent it is worthwhile for the company to exceed the standard risk limits.*

The CRB provides sales managers and commercial experts with a solid and validated ground to continue their negotiations with the customer within the agreed risk limits. As the negotiation with the customer ends (R2), the R3 phase starts with the Project Opening Meeting (POM), where the project manager takes full ownership and responsibility for the execution of the project. Significantly, within the R3 phase, each function must decide whether to approve the proposed project on the basis of the agreed risk limits. As explained by a divisional finance manager (2):

*At this stage, the role of manufacturing finance and, in particular, of a section for analysing costs named An.Co. (meaning “analysing costs”) is crucial to identify the targeted contribution margin for the project, which is considered the key measure the project manager is responsible for. When the project manager is not happy with the proposed price or contribution margin for the project, he/she can delay the beginning of the O.T.R. process by postponing the signature of the Project Opening Sheet.*

Within both the I.T.O. and the O.T.R. phases, finance experts play a central role by cooperating with experts from other areas to identify risks, analyse the costs involved in the deal and prepare the project budget. Importantly, management accountants in charge of cost analysis (the An.Co. section of manufacturing finance) are responsible for developing the project budget (labelled as *Budget First An.Co*), which is the final baseline for estimating sales and variable costs as well as the contribution and operating margin of a specific project. Significantly, as suggested by a cost analyst,

*In preparing the project budget the first concern is to make sure that all Controllership procedures and standards are fully applied.*

The process of developing a project budget starts during the I.T.O. phase when finance experts team up with operations to develop the *Budget As Bid*. The aim of this preliminary budget is to provide sales managers and commercial experts with an adjustable and flexible document to face the negotiations with the customer. As explained by a BETA Oil&Gas cost analyst:

*A second draft of the project budget is developed when the Project Opening Sheet is signed and the Project Opening Meeting is validated […] This document is the Budget as Sold and marks the hands-off as well as the beginning of the O.T.R. phase.*

Although both the *Budget As Bid* and the *Budget as Sold* attempt to crystallize Controllership, these documents are not standardized but are drafted and tailor-made to the specific characteristics of the project and operations involved. When the deal is closed and the order is finalized, the *Budget as Sold* becomes the *Budget First An.Co*, which summarises costs and risks, revenues and opportunities for the project. The *Budget First An.Co* is constructed through the cooperative efforts of different units led by the finance experts:

*The development of the project budget synthesizes different competencies in action. Within the project budget, finance guys rely on the technical data and analysis offered by operations to develop a statement that shall capture the contribution of the project to the division and the company bottom line […] Importantly, the level of trust that accompanies the contents of the budget is strongly connected to the amount of respect existing among the different players involved in the project, whose performance is reciprocally dependent on each other’s expertise.* [project manager (1)]

Among the different actors involved, finance experts are central in embedding Controllership within the project management process. During the I.T.O. and O.T.R. phases, finance experts constantly interface with other functions such as sales, legal, marketing and operations to identify risks, analyse the costs involved in the deal and prepare the project budget. As suggested by a FP&A analyst:

*Thanks to the continuous involvement of the Finance unit within the project management process, accounting measures such as contribution margin and cash flow have now become the pillars of an organisational language that constantly engages with risk analysis and compliance mechanisms to provide middle and top management with an essential feedback on strategy execution.*

The involvement of different organisational units in the construction and implementation of the project budget generates different understanding of the budget’s role and its relationship with Controllership. Even within the Finance unit there is no univocal interpretation of the project budget’s role. According to a cost analyst, the budget represents a critical opportunity for different managers to engage in discussion and question financial aspects of the project:

*The project budget is the main opportunity we have to sit down with the sales force, production engineers, project managers, as well as with sourcing and risk managers to discuss the financial implications of the projects and the importance of a rigorous cost tracking process*.

In a similar vein, a commercial finance expert emphasises that the project budget provides different managers with a common ‘financial’ language:

*This document [the project budget] is an important tool to encourage sales managers, and other sales personnel, to wear the hat of the Finance unit, think in terms of cost-benefits opportunities and consider customers as financial entities*.

On the relationship between the budget and Controllership, a FP&A analyst emphasises that:

*The budget represents a formal mechanism of Controllership aiming to support decisions based on sound financial metrics – risks vs. returns – as well as accurate forecasting and reporting […] it does offer feedback on the way in which current plans are executed while also providing valuable insights for the future directions of the business.*

Interestingly, managers outside the ‘finance community’ have different interpretations of the project budget and its relationship with Controllership. In particular, some managers perceive the budget and its focus on financial data and Controllership as threats to the project’s design and development. As emphasised by an operation manager (i) and a project manager (ii):

*(i) Operations are the main source of revenues, there is no question about that […] I understand the reasons for a budget, but my feeling is that often we go too far, to the point where project design and development are dictated by accountants in the attempt to implement the principles of Controllership.*

*(ii) Sometimes it is frustrating. The problem is that they [finance experts] do not understand the operations, they do not understand the business [...] They are obsessed with budgets and financial data. Why shall we have monthly headaches reporting about costs and contribution margins, when they do not even try to understand what it takes to make world-class valves and flow controllers?*

Moreover, a sourcing manager emphasises the need for all business functions (including sales) to observe and share the principles of Controllership embedded in the budget:

*Talking about Controllership, I occasionally wonder if our sellers are always straightforward and loyal to the customers […] I mean, if they are clear in terms of product specifications, scheduling, production costs, etc. They are so focused on new orders that sometimes my feeling is that they forget that sooner or later someone downstream in the company value chain will have to keep up with the promises they made and with the customers’ expectations.*

Whereas disregarded [*I refuse to look at those numbers, they do not mean anything to me, I leave them to the accountants* - suggested by a mechanical engineer] or relied upon [*the contribution margin line in the budget is the first item I check on the screen as I get the reports* - emphasised by a project manager], the project budget enables different managers to engage in the attempt to understand how Controllership is related to their day by day operations. Such engagement triggers new and evolving interpretations of Controllership that become crystallized within the project budget:

*While developing the project budget, we reflect upon and discuss with managers from other departments about what Controllership means for our business and which measures we can adopt to better capture and implement it.* [senior finance manager]

Overall these data offer interesting insights about the role of the project budget within BETA Oil&Gas, as well as on its ability to attract, bind and engage local subsidiary managers in the attempt to define Controllership in practice. These issues are discussed in Section 6.

6. Discussion

In the previous sections, we have analyzed the role played by the project budget in enacting a key governance policy set by the headquarters within one of our case organisation’s subsidiaries. In particular, we focused on how Controllership is implemented within BETA Oil&Gas and we explored the role of the project budget in this process.

According to the literature on governmentality, accounting practices are technologies of government able to establish connections between “highly abstract values and goals” of governance and day by day organizational activities (Kurunmäki & Miller, 2011, p. 222; Hopwood, 1983; Burchell et al. 1980; Miller & O’Leary, 1987; Miller, 2001). Within BETA Oil&Gas, Controllership, as a key governance policy, materializes in practice thanks to the involvement of managers from the Finance unit [*everyone in the organisation recognises that Controllership materialises in practice from an upfront involvement of the Finance unit as an independent cross-functional business partner -* divisionalfinance manager (1), as quoted above] and particularly through the project budget. Controllership’s principles become identifiable, knowable and definable (Miller & Rose, 1990) while managers develop the project budget[*In preparing the project budget the first concern is to make sure that all Controllership procedures and standards are fully applied -* cost analyst, as quoted above]. Therefore, the project budget acts as a technology of government through which, Controllership, as highly abstract governance policy, becomes operable within the Oil&Gas subunit [*The budget represents a formal mechanism of Controllership aiming to support decisions based on sound financial metrics – risks vs. returns – as well as accurate forecasting and reporting -* FP&A analyst, as quoted above].

Given its abstract nature, Controllership works as an epistemic object (Rheinberger, 1997; Knorr Cetina, 1997). While providing an ‘idealized’ frame for the ruling and management of the organization [*Controllership is the core governance initiative that helps to establish a business culture rooted around uncompromised value-added results you can trust -* former CFO BETA Oil&Gas], Controllership becomes the object of inquiry and pursuit (Ewenstein & Whyte, 2009) for BETA Oil&Gas managers.

Epistemic objects take form when technical objects mould them into practices (Ewenstein & Whyte, 2009). Within BETA Oil&Gas, Controllership’s concrete implementation is bound to the development of the project budget, which acts as a technical object (Ewenstein & Whyte, 2009). According to Knorr Cetina (1997), technical objects are ready-to-hand instruments used to stabilise some aspects of the epistemic object and evolve others. Bridging between the concrete and the abstract, technical objects constitute a “crucial dimension of the epistemic object as it is with these that practitioners interact when they develop knowledge” (Ewenstein & Whyte, 2009, p. 12). Within BETA Oil&Gas, the project budget acts as a technical object allowing different managers to engage, question and make sense of Controllership [*While developing the project budget, we reflect upon and discuss with managers from other departments about what Controllership means for our business and which measures we can adopt to better capture and implement it -* seniorfinance manager, as quoted above]. In the development of the project budget, Controllership is defined and redefined through the interactions that take place among managers in the attempt to make sense of the governance policy.

The dynamic relation between Controllership and the project budget generates engagement and collaboration among different managers, who join their forces in the attempt to enact Controllership in practice [*The project budget is the main opportunity we have to sit down with the sales force, production engineers, project managers, as well as with sourcing and risk managers to discuss the financial implications of the projects and the importance of a rigorous cost tracking process* - cost analyst, as quoted above]. Managers’ “drive and desire” towards the same object - Controllership - constitute the basis for “mutual recognition and sense of belonging” (Nicolini et al., 2012 p. 614; see also Knorr Cetina, 1997). Therefore, Controllership, as an epistemic object, prompts a desire to fill the knowledge gaps it entails, thus fostering collaboration and engagement among managers (Nicolini et al., 2012) [*The development of the project budget synthesizes different competencies in action [...] The level of trust that accompanies the contents of the budget is strongly connected to the amount of respect existing among the different players involved in the project, whose performance is reciprocally dependent on each other’s expertise -* project manager, as quoted above].

In this process, the project budget mediates among different managers participating in the project management process (Kurunmäki & Miller, 2011, Jeacle, 2015). In particular, the analysis of risks (R1, R2, R3 processes), the negotiation with the customers, as well as the need to identify and monitor the margins of the project, require finance experts to engage continuously with operations and other functions to make Controllership happen. During the I.T.O. and O.T.R. phases, units such as manufacturing finance and commercial finance constantly interact and cooperate with functions such as sales, legal, marketing and production to identify risks, analyse the costs and prepare the budget [*This document - the project budget - is an important tool to encourage sales managers, and other sales personnel, to wear the hat of the Finance unit, to think in terms of cost-benefits opportunities and consider customers as financial entities* - commercial finance expert, as quoted above].

Within BETA Oil&Gas finance experts, project managers, engineers as well as the sales force assume their respective roles while participating in the development of the project budget. As multiple perspectives and rationales collide in the same practice, tensions are likely to arise [*Sometimes it is frustrating. The problem is that they - finance experts - do not understand the operations, they do not understand the business -* project manager, as quoted above]. Rather than being resolved, these tensions are managed through the project budget, which attracts, binds and engages local subsidiary managers to get knowledge of and translate Controllership into action.

The unfolding use of the project budget provided the conditions for further discourses to take place about Controllership. Such discussions are still ongoing within BETA Oil&Gas.

7. Conclusions

This paper relies on the experience of BETA Oil&Gas, to explore the role played by MCSs, and specifically by the project budget, in enacting a governance policy at the local level. By drawing on prior studies on governmentality and in light of the notions of epistemic and technical objects, we have provided a number of contributions.

First, we contribute to the accounting literature on governmentality (Neu & Heincke, 2004; Spence & Rinaldi, 2014; Kurunmäki & Miller 2011; Jeacle, 2015) by offering a theoretical as well as an empirical analysis of the role played by MCSs in enabling global governance policies to be spread and become practiced at the local (subsidiary) level. In particular, we show that the concepts of epistemic object and technical object may illuminate how broad governance policies are concretely implemented through MCSs. Within our case organisation, Controllership, as a key governance policy, works as an epistemic object providing for an abstract frame for the ruling and management of the subsidiary. Further, the project budget acts both as a technology of government and a technical object providing for the formal mechanism through which Controllership is implemented, while allowing managers to engage in the attempt to get knowledge of it.

Second, we extend prior studies on the role of MCSs in supporting multinational organizations spreading and enacting the governance policies set by the headquarters throughout different organizational subunits (Dent 1996; Malmi & Brown, 2008; Strange et al., 2009; Sageder & Feldbauer-Durstmüller, 2019; Chow et al. 1999). While prior studies have emphasised that MCSs may be drawn upon to align individuals’ actions with the global governance policies, we show that MCSs do so by acting as technologies through which individuals engage to get knowledge of and translate governance into action. As governance is critically considered an ‘empty signifier’ (Offe, 2008), MCSs may contribute to give it meaning through the confrontations and debates taking place among the different managers involved in their development and use.

Our study has practical and theoretical implications by showing how subsidiary managers engage with MCSs in the attempt to translate and implement broader governance policies in their daily activities. In line with some recent calls for “practical understandings” regarding how governance policies are implemented within organizations (Stacchezzini et al., 2020; Ahrens & Khalifa, 2013; Ahrens et al., 2011; Brennan & Kirwan, 2015; Parker, 2018), we show that MCSs play a fundamental role in promoting constructive debates between managers at different organizational and subunit levels. In doing so, MCSs contribute to enacting governance policies in practice beyond any compliance and disciplinary requirements.

In our research, MCSs, such as the project budget, have a key role in fostering managers’ “immersion” (Stacchezzini et al., 2020, p. 905) in the governance practice. In particular, the project budget encourages interactions among different managers, thus facilitating a widespread understanding of what Controllership comprises in terms of daily activities and related responsibilities.

We call for further research on the role of other MCSs, besides the budget, in making governance happen in practice. We believe that further case study research is required to explore the way in which MCSs participate in enacting governance at the local level, as well as to investigate the role played by various organisational actors in this process.

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1. BETA is a pseudonym used for reasons of privacy and confidentiality. [↑](#footnote-ref-1)