MANAGEMENT CONTROL PROCEDURES IN MULTINATIONALS VERSUS SUBSIDIARIES

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ABSTRACT

Purpose: *Much scientific research, and consequent contributions, has been done on multinationals versus subsidiaries in recent decades, particularly with regard to the management control system, a subject that remains current and relevant in the scientific literature in the management area. Thus, the aim of this study is to analyze the different perspectives of use of the management control system in organizations, in general terms, and a posteriori its importance in multinationals versus subsidiaries, through the inclusion of some variables (mechanisms for the exercise of control, commitment, autonomy) fundamental to the efficient and effective functioning of this system.*

Methodology: *This is a theoretical and exploratory study between 2005 and 2014 focused on the accounting area magazines included in the ABS ranking (version 4). The selection of articles for the literature review for this topic was initially patented by the choice of four or five journals from the accounting area for the selection of scientific articles from the last five years. However, given the particularity of the chosen topic, it was necessary to extend the universe of journals to other areas of management, namely the area of international studies and business (journals according to the classification of the journals). It should be noted that in the other management areas not included, there were also articles on the subject, however, these did not cover the desired period of time.*

From research carried out in the most reputable journals in the management area, the time period from 2005 to 2014 was reviewed. However, in some of the selected journals no articles on the subject published in 2014 were identified.

In summary, the following sample resulted from research on articles published by management journals: Accounting journals: Management Accounting Research, Accounting, Organization and Society, The British Accounting Review; International Business Review and Journal of International Management; Journal of Organizational Studies and Organization Science.

In addition, we have included a further article from The British Accounting Review in 2009, as well as an article from The Organization Science in 2014. The latter was the basis for defining the subject of this work. The extension of the time period is due to the fact that this theme was reviewed in the literature in the 1990s, hence the change in the initial selection criteria. It should also be noted that articles in accounting journals on the management control system focus on the general perspective, fundamentally, and not on the perspective of multinationals versus subsidiaries, which also justifies the extension of the scope of the journals.

Results: *The results show that multinationals adopt several mechanisms to control their subsidiaries spread over several countries, such as expatriation, active participation among managers, training, sociability and technology transfer. However, they must focus on the commitment of local managers in the implementation of strategies* *with critical and aggregate value, in the flexibility vis-à-vis the internal and external environment, so that their Control System is dynamic and interactive. Another important fact is the essence of autonomy, with the aim of sharing and transferring knowledge, regardless of the differences between the organizational and local culture between the country of origin and the host country. Given the complexity of the Relationships between the multinational and the subsidiaries, it is crucial to have a network relationship, as the network construction influences performance.*

Conclusions: *This analysis has returned to the importance of management control systems for multinationals and their geographically dispersed subsidiaries, which require managers to be committed to the values of the parent company, to balance the autonomy of the subsidiary to avoid dynamic tensions. The empirical studies carried out only cover a specific geographical area (Japan, China, Korea, among others); Not all studies include all variables of the control system; Limited attention to the importance of social control.*

Key-words: Management Control, Multinationals, Subsidiaries

INTRODUCTION

Cruz, Scapens & Major (2011) quoting Guillen (2008) pointed out that globalization is a powerful force that leads to an increasing homogeneity of practices, both technological and social (values) and economic, which provides uniformity at the economic, cultural and political levels. In this sense, management and accounting practices will follow this trend, so that organizations continue to be successful.

In the context of globalization, the study on multinationals versus subsidiaries becomes pertinent, so the present work is entitled "Management control procedures in multinationals versus subsidiaries". Cooper, et al., (2011); David, Cooper & Ezzamel (2013) argued that multinational firms are seen as a central vehicle in the globalization process. Ivarsson & Vahlne (2002) argued that investment by foreign multinationals has been seen as a key mechanism to enable companies in developing countries to accumulate and update their management and technological capabilities.

Pananond (2013) noted that multinationals from more advanced economies, when investing in local companies (subsidiaries) from developing economies, seek to benefit from lower production costs but also to involve them in their global value chain. In today's rapidly changing environment of customers, suppliers, technologies and competition, organizations must continuously renew themselves to survive and prosper (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, Winter, 2007; Henri, 2006; Silva & Oliveira, 2020; Teece et al., 1997; Teece & Al-Ali, 2014). Also primary factors (innovation, learning, market and entrepreneurship) are recognized as key capabilities for organizations to achieve competitive advantage (Bratianu, 2018; Bratianu & Bejinaru, 2019; Oliveira, Pinho & Silva, 2018; Oliveira, 2020). In this context, it is important that organisations adopt a strategy that emphasizes the use of management control systems, where competitiveness is defined as a function of distinct, capable and valuable resources, which are controlled by the organization. Indeed, the chosen topic, in particular the management control system, in this context is relevant and current. This is corroborated by Gond, Grubnic, Herzig, & Moon (2012) who argued that sustainability involves the renewal of organisational strategy (Harte, 1995; Shrivastava, 1985; Skibiński; 2018) as well as the creation of new practices for sustainable accounting and reporting (Adams & Whelan, 2009; Gray, 2010). However, the management control system supports the strategy and if used together, appropriately, can direct organizations towards sustainability. (Gond, Grubnic, Herzig & Moon, 2012).

In accordance with the above, the aim of this work is to analyse the different perspectives of use of the management control system in organisations, in general terms, and a posteriori its importance in multinationals versus subsidiaries, through the inclusion of some variables (object of study in recent literature) fundamental to the efficient and effective functioning of this system. The subject is approached from the perspective of control theory (largely developed in the literature) and its interdisciplinary with other theories (e.g. systems theory, although the modes of social and cultural controls are also recognized), according to Collier (2005). The key words used for literature research were based on the management control system and its association with multinationals versus subsidiaries.

LITERATURE REVIEW

The selection of papers for the literature review for this topic was initially patented by the choice of four or five journals from the accounting area for the selection of scientific articles from the last five years. However, given the particularity of the chosen theme, it was necessary to extend the universe of journals to other areas of management, namely the area of international studies and business (journals according to the ranking of journals). Brenner & Ambos (2013) pointed out that control has been focused mainly on the international business area. It should be noted that, in the other management areas not included, there were also articles on the subject; however, they did not cover the intended time period.

From the carried-out research in the most reputable journals in the management area, the time period from 2005 to 2014 was revised. However, in some of the selected journals (see next paragraph); no articles on the subject published in 2014 were identified.

In short, from the universe of research on articles published by management journals, the following sample resulted:

- Accounting journals: Management Accounting Research (quartile 1), for the period 2005 to 2013, Accounting, Organization and Society (quartile 1), for the period 2006 to 2013, The British Accounting Review (quartile 3), for 2009;
- International Business Review (quartile 1), for the period 2005 to 2014, and Journal of International Management (quartile 1), for the period 2006 to 2013;
- Organizational Studies Journal: Organization Science (grade 1), for the year 2014;
- In addition, from a perspective of interest to the subject, we have included a further article from 2009, from "The British Accounting Review", as well as an article from "Organization Science" of 2014. The latter was the basis for defining the theme of this work.

The extension of the time period is due to the fact that this topic was further reviewed in the literature in the 1990s, hence the change in the initial selection criteria. It should also be noted that articles in accounting journals on the management control system focus on the general, fundamentally, and not on the perspective of multinationals versus subsidiaries, which also justifies the widening of the scope of the journals.

This work is structured as follows: First part: Introduction and justification of the chosen theme, time period, selected magazines and articles. Second part: general considerations on the control and interconnection of this with other management variables. Followed by considerations on the variables inherent in the management control system of multinationals versus subsidiaries. To conclude, main conclusions, limitations and future research.

Control Concept and Considerations on the Control System

The concept of a management control system has evolved over time, so despite of a long and very rich development, the focus will spot on the following authors. Henri (2006) defined a management control system as a formalization of procedures and systems, which uses information to maintain and change patterns in organizational activity. This definition includes system planning, system reporting and procedure monitoring, always based on the use of information. Widener (2007) noted that the purpose of the management control system is to provide useful information for decision making, planning and evaluation. The definition of management control systems has evolved over the years, from the focus on formal control, measurable financial information, non-financial information, to social and cultural control mechanisms, where the choice of the latter is influenced by the institutional environment and the strategy to adopt (Abernethy & Chua, 1996; Chenhall, 2003, 2005; Chenhall & Langfield-Smith, 2007; Chenhall & Morris, 1986; Collier, 2005). There are several schemes to understand management control, namely those based on informal controls (Otley & Berry, 1980; Simons, 1995) and those based on formal controls (Ditillo, 2004; Ouchi, 1975, 1984; Ouchi & Wilkins, 1985).

Collier (2005) referring to Berry (1980) highlighted that organizations are guided by their objectives, with control being exercised by the effective use of resources in pursuit of those resources, the influence on the behavior of those resources and changes in the environment.

Nixon & Burns (2005) understood that companies today not only pay attention to their shareholders, but also to the legitimacy of interactions with individuals. Trust is always important in work, in companies, in suppliers, and in relations between companies. However, there is significant evidence to suggest that the effect of knowledge growth on the global economy may be a trend towards greater reliance on trust. In this sense, managers must build and maintain the full confidence of the company's shareholders through assertions of openness, transparency and accountability. Thus, the balance between technical and behavioral aspects, between the small or large dimension of control, implies a reassessment of the concepts of control and the like, because traditional planning and control have been altered by the impact that the competitiveness factor has had in the 21st century. In the above context, the traditional management control system is obsolete (Kerssens-van Drongelen, Nixon & Pearson, 2000; Nixon & Burns, 2005). This statement is also shared by other authors who refer to the introduction of new concepts in management control, namely regarding strategic management, organizational structure, "corporate governance", management risk, alliances and groupings, information and technological communication, society and human resources management (Balstad & Berg, 2020; Cokins, 2013, 2017; Rikhardsson & Yigitbasioglu, 2018). Consequently, this implies the emergence of a new development of management control schemes, which has given rise to new research regarding the introduction of more informal controls related to the concepts to be developed in the next section of the work (Nixon & Burns, 2005).

Control Versus Strategy Versus Risk

Henri (2006) argued that in recent years, the competitive advantage of organizations seen as originating in the resource-based vision has become an important and influential scheme in the field of strategy. This author noted that the concept of strategy has been examined as a choice at various levels, namely market position, pattern, mission and strategic priority. Thus, research has emerged that has emphasized the effect of the management control system on the organization’s strategy, in which it concludes that strategy is influenced by the management control system, its dynamic approach and emphasis on interaction and dialogue (Ittner & Larcker, 2005; Mouritsen et al., 1998). Following this path, Henri (2006) focused his study on the analysis of the traditional rules of the management control system as a support for strategy implementation, and understanding that the resource-based vision. The resource-based vision. Includes resources that are irreplaceable, inimitable, valuable and rare and are a means to achieve sustainable competitive advantage (Barney, 1991a, 1991b; Barney, Wright, & Ketchen, 2001; Eisenberger, Cummings, Armeli, & Lynch, 1997; Eisenhardt & Martin, 2000). Thus, for this, resources can be human, tangible and intangible assets (competencies, skills), where innovation, organizational learning, market orientation and entrepreneurship are primary capabilities to achieve that advantage, which have an influence on the management control system. However, the effective use of the management control system will have to include a performance measurement system, which may create a dynamic organizational tension with negative forces (if the control system is only used to diagnose deviations and corrections) and positive forces (if the control system is also used as a means of dialogue and interaction) as a communication tool (Oliveira, Martins, Camilleri & Shital, 2020; Ritter, 2003). Mundy (2010) also addressed the issue of the dynamic tension created by the management control system, following the approach of the author mentioned above, where he points out that the implementation of these levels of control facilitate the development of organizational capabilities such as innovation, learning, market orientation and entrepreneurship. He also stated that the tension is dynamic between the various levels of control and is related to the management of conflicts arising from the personal interests of individuals and organizations.

Widener (2007) analyzed the management control system, applying the four levels of control defined Simons (1995) which are the level of beliefs (values), the level of border (constraints), the level of diagnosis (monitoring) and the interactive level (involvement), which may generate tension between them (previously mentioned), but considering the uncertainties of the variables of the organizational environment, such as the uncertainty of the strategy, and the risk. There is a multiple and complementary interdependence relationship between the four levels of control and uncertainty and risk, in which the use of a performance measurement system, with emphasis on attention and organizational learning, is important.

Another study emphasized the relationship between two competitive forces - the threat of foreign competitors and the bargaining strength of buyers Porter (1991) and organizations, in particular multinationals, with regard to the importance of setting up management control systems. He stressed the need for organizations to emphasize the practices of the management control system in order to support their objectives of accessing and exploiting global market opportunities and resources more effectively and efficiently (Connor, Vera-muñoz & Chan, 2011).

Following the guidance of the authors already cited, another study has emerged, which analyzed the relationship of the management control system, based on the four levels of control (Simons, 1995) with the strategy, whose conclusion reformulated that the components of the management control system are a means of facilitating and preventing the integration of the sustainability of the strategy (Gond et al., 2012).

Another important and current concept to be included in management control systems is "Corporate Social Responsibility", as a potential means of developing competitive advantage, the management control system being a vehicle to help managers identify and manage threats and opportunities (legislative, environmental, social, institutional), through the implementation of the four levels of control already mentioned (Arjaliès & Mundy, 2013).

Management risk has also become important in organizations, as has its link with management control systems and even accounting, which is related to recent global events (for instance crisis in the euro area). In this context, tighter legislation has emerged worldwide (for instance COSO - Committee of Sponsoring Organizations of the Treadway Commission) and a growing interest in "corporate governance". This emphasis on risk implies changes in management control practices, where it is assumed that the higher the risk, the greater the degree of control, as a consequence of the cyber control model (Soin & Collier, 2013).

Multinationals versus subsidiaries

Considering the relevance of multinational versus subsidiaries, Cooper & Ezzamel (2013) summarised the literature on the subject as follows (Table 1):

Table 1
SUMMARY OF STUDIES CARRIED OUT

Authors	Contribution
Kristensen & Zeitlin (2005)	They noted that there are few studies that adopt a global analysis of multinationals, *i.e.* that examine the concerns of multinationals together with the management histories and practices of subsidiaries and their relationship.
Barret, Cooper & Jamal (2005) Cruz, Scapens & Major (2011)	They argued that there are few examples in the literature of attempts to analyse how the globalisation discourse of multinationals is constructed and adapted and what role technology plays at the local (subsidiary) level.
Busco, Giovannoni & Scapens (2008)	They pointed out that several studies carried out involve the concept of globalization in multinationals, but the typical analysis is not articulated with the effect that accounting may have on the construction of globalization.

Park, Glaister, & Oh (2009) described cross-border acquisitions as a strategic investment by multinational companies to overcome the competitive pressure of globalisation and improve their position in the global market. Park & Choi (2014) quoting Ivarsson & Vahlne (2002) said that acquisitions are the most common form of foreign investment. In this context, cross-border acquisitions are the only way to gain competitive advantage by improving organizational efficiency and effectiveness. These acquisitions are a common and complementary thread for involving capabilities, i.e. the complementarity of the capabilities, skills and knowledge of multinationals versus subsidiaries (Park & Choi, 2014). Thus, multinationals undertake investment strategies to maintain a better position in their international operations, where acquisitions, partial or total, allow them to exercise control over those subsidiaries in order to achieve their objectives; they influence the management of the subsidiaries using their power, authority, culture and a wide variety of bureaucracy as control mechanisms (Park & Choi, 2014). Forsgren, Andersson & Bjo (2005) argued that subsidiaries are influenced by multinationals through the use of different control mechanisms and that the rooting of these controls is an important antecedent to creating a level of knowledge in the subsidiary. However, each subsidiary has its specific degree of insertion, which depends on the market structure, the size, the type of industry, among other variables, so the different control mechanisms (e.g. control of behavior, control of results, involvement of expatriates) used by the multinationals in the subsidiaries have different impacts on that insertion and on knowledge development. The subsidiaries have to play the prominent rule of knowledge creation, this is the value of the multinationals as a whole, in this context a key management problem, is the relationship between the control mechanisms and the knowledge flows of the multinationals versus subsidiaries, so it is crucial to understand the interdependencies between the rules of subsidiaries and the control mechanisms such as autonomy, human resources and technology (Rabbiosi, 2011). Control mechanisms may act as primary drivers of knowledge transfer, including technology, between multinationals and subsidiaries, which are divided into management controls and operational controls (Park & Choi, 2014), however, this depends on the degree to which they are rooted. Park & Choi (2014) clarified that the control mechanisms adequately exercised by multinationals in subsidiaries are an approach to bringing together and learning various organizational skills, including technology. They developed a research model for the acquisition/transfer of knowledge in multinational vs.

subsidiaries relating the management and operational controls implemented, which were empirically applied in a specific geographical area (Korea). Moilanen (2008) emphasized the importance of accounting as a means to allow multinationals to control their subsidiaries despite their physical distance and even allow them to rely on their financial systems. He also stressed that in the Western world, accounting has recently been more linked to new technologies and new operations, so that it helps managers in decision-making, an idea that has already been confirmed by other authors (Granlund & Lukka, 1998; Scapens, 2005). He stated that subsidiaries are not only a means of translating information, but that they use accounting for different purposes and practices. In this sense, there must be confidence that the accounting is correct (trust in the system) and that the managers of the subsidiaries apply the principles of the multinational (trust in people). Accounting is the rationale for controlling and directing operations and communicating social relations between the multinationals and the subsidiary. Brenner & Ambos (2013); Citando-Doz, et al., (2001), have correlated the changes in the world in recent decades with an imperative need for global competition. In this statement, it is important for multinationals operating in a global environment to maintain control in the face of dispersion, added value and distance from subsidiaries. The persistence of cultural and institutional differences and the increase in local competition require some autonomy of the subsidiaries. At the same time, increased interdependence, cost pressure and standardization of rules require some levels of control and alignment with the multinational as a global chain. As a result, shareholders have to consider a number of "trade-offs" when designing their control strategy. These authors have suggested that legitimacy and the process of institutionalization are key to resolving the issue of multinational companies' control over their subsidiaries. For this purpose, shareholders have to convey value to implement a control system, because for controls to be institutionalized, they have to be legitimate, where the success of this transmission can be the inclusion of social control (standards, values, culture, training, learning and inclusion of expatriates) in the system, which in turn leads to the acceptance of the other controls. They also noted that legitimacy is a social form of approval and is crucial for the exercise of authority, confidence building and acceptance of decisions.

Yamin & Andersson (2011) addressed the importance and impact of subsidiaries on multinationals. To this end, they carried out a study on Swedish multinationals, from which they concluded that the importance of subsidiaries correlates with the importance of products, level of production, size, number of expatriates, age (number of years of existence), degree of rooting (domain, commitment) with the multinational. Yamin & Andersson (2011) also pointed out that the importance of the subsidiary in the multinational may be won, achieved or even lost in time; everything depends on its involvement with the multinational's network and its corporate vision.

Calantone & Zhao (2001) defined control as a process by which shareholders (multinational, parent company) protect their interests. Academic studies have explored the effect of cultural distance, through the level of expatriation of resources and the level of ownership (shareholding), as modes of control between multinationals and subsidiaries. However, there are some inconsistencies in the various research carried out on these concepts, and some of these studies have been identified: some conclude that increasing cultural distance is associated with a higher level of control (e.g. Pan, 1996; Anand & Delios, 1997), others argue exactly the opposite (e.g. Kim & Hwang, 1992).

Wilkinson, et al., (2008) noted that when subsidiaries gain experience, they gain knowledge of the market and understand cultural distance as something less threatening, and gain more confidence in their ability to function in the foreign market, and it is in this context that organizational learning becomes important. Organizational learning is defined as something that forces companies to make the necessary adjustments in order to survive and grow in the current competitive market, for this they have to have the potential to learn from their successes and failures.

Wilkinson, et al., (2008) proposed the introduction of a new variable for measuring the impact of cultural distance, which is summarized as the age of the subsidiary and its level of learning, taking into account the level of expatriates and the level of ownership, applied the concept of cultural distance and its effect on the modes of control referred to in two Japanese subsidiaries (Annex 1). The following conclusions emerged from this study:

The impact of cultural distance on modes of control of expatriation and level of foreign ownership is moderated by the age of the subsidiary and can therefore be temporary, which is related to the level of learning of the subsidiary. Thus, the decrease of the level of control in the subsidiary seems to be a normal result of adjustments made according to its age, where there is a level of adaptation (high control) and which leads to a reduction of the level of control.

Furthermore, when the subsidiary is located in distant and culturally different markets, executives may wish to exercise tight control during the operational phase (adaptation) and may plan a reduction/loss of control when the subsidiary acquires adequate knowledge and experience in their markets;

In addition, the need for expatriate resources diminishes as the subsidiary gains knowledge and experience in its markets;

Bedides, the characteristics of the subsidiaries' national culture and their experience can influence cultural distance and its cultural impact.

With increased global competitiveness, the need for competitive advantage has also intensified (Ensign, 2007). Therefore, a multinational with geographically dispersed subsidiaries must have the flexibility to operate in networks, involving control and coordination (Ensign, 2007). Multinationals have to have the organizational capacity to respond and evaluate opportunities because they are a network (Ensign, 2007). However, there are contingent factors, different from country to country, from sector to sector, of information, so it is necessary to identify the factors that do not create a competitive advantage for them (Ensign, 2007). As such, the organizational network is defined as the flexibility and capacity to respond to changes and uncertainties of the environment, which implies a broad involvement of managers in the identification of critical factors of the environment, the need for performance evaluation mechanisms, the dynamism on the part of managers, especially on the part of multinationals (Ensign, 2007).

Gammelgaard, Mcdonald, Stephan & Tu (2012) also analyzed the autonomy of subsidiaries vis-à-vis multinationals, linked to the level of use and integration of network relations ("networks") and their relationship with performance. From the perspective of the analysis carried out, the development strategy of the subsidiaries is affected by the number of connections (quantity of transactions and relationships) and their effect on performance. In this analysis they considered that, from the "Intra and Inter" connections, there are benefits of innovation and learning and that the autonomy of the subsidiary has to do with the level of power and autonomy in decision making and is linked to its level of performance. It concludes that greater autonomy generates greater freedom for subsidiaries to interact within the multinational's network and that this has an effect on performance.

Over the last few decades, the effect of greater autonomy of subsidiaries related to their performance has been an important issue for international research (Kawai & Strange, 2014). These authors, paraphrasing Birkinshaw & Morrison, (1995) have argued that the complexity and diversification of activities within multinationals has meant that they are under pressure to shape and coordinate their relationships with their subsidiaries while allowing them some authority and influence. They also pointed out that autonomy is the degree of decision-making power that the subsidiary possesses vis-à-vis the multinational in terms of strategy, functionalism and operationally (Taggart & Hood, 1999; O'Donnell, 2000). This implies that the managers of the subsidiaries may have more or less discretion in the choice of specific resources of the subsidiary, such as technology, knowledge, finance and human resources.

Several authors contributed to the understanding and analysis of this variable (autonomy) in the subsidiaries, whose conclusions are presented (Kawai & Strange, 2014) in Table 2:

Table 2
CONTRIBUTIONS ON SUBSIDIARY AUTONOMY

Authors	Contributions
Birkinshaw, Hood & Jonsson (1998)	Leadership and strategic initiative are promoted by autonomy, which contributes to competitive advantage.
Bartlett & Gloshal (1999)	Delegating decision-making power to subsidiary managers allows for an adequate and proactive response to customer needs, increasing competition and the progression of the product life cycle.
Luo (2003)	correct alignment of business strategy With local market conditions, as well as encourages organizational learning.
Young & Tavares(2004)	Highlighted the creation and dissemination of knowledge stimulated by autonomy.
Mirchandani & Lederer (2008)	Delegating decision-making power to subsidiary managers provides incentives for them to feel more responsible for it.
Keupp, Palmié, & Gassmann (2011)	Autonomy of the subsidiaries leads to increased control and coordination costs to be borne by the shareholders, as well as, leads to the risk of isolation of the subsidiaries
Claver-Cortés, Pertusa-Ortega,	They pointed out that the autonomy of subsidiaries facilitates and promotes Differentiation in the market

Kawai & Strange (2014) have introduced a further variable in this field, i.e. they have suggested that the relationship between autonomy and performance is tempered by environmental uncertainty and internal coordination mechanisms within the multinational. For these authors, environmental contingency has provided important information for organizational learning (Yadong Luo & Peng, 1998), organizational responsibility (Gol & Rasheed, 2004), entrepreneurial leadership (Ensley, Pearce & Hmieleski, 2006), employment flexibility (Lepak, Takeuchi & Snell, 2003), marketing strategy results (Atuahene-Gima, Li & De Luca, 2006) and to strengthen profitability strategy (Andersen, 2005).

Internal coordination, on the other hand, is related to the subsidiary's autonomy, which can lead to the loss/reduction of control of the multinational by placing expatriates in the subsidiary to increase its performance. The geographical area of empirical application of this suggestion was the subsidiaries of Japanese multinationals, from which the following conclusions emerged (Appendix 2):

- First, the perception that subsidiaries have autonomy does not involve a direct and positive relationship with their performance and does not affect their competitive advantage;
- Besides, under environmental, namely technological, uncertainty, the exclusion of a hierarchical structure leads to an increase in responsiveness;
- Furthermore, the involvement of expatriates increases performance and is a moderating element in the subsidiary's relations with the multinational, which can provide easier and wider access to resources spread around the world (human, material, financial);
- In addition, the involvement of expatriates may not be well accepted within the subsidiary and may generate some conflicts;
- Following this path, due to technological uncertainty, autonomy will be important for the development of products adapted to the local market;
- Finally, decentralised subsidiaries, although with control and co-ordination mechanisms, are likely to collect information and interdependencies of resources and increase their performance.

The most recent research has also highlighted the importance of a common language (English) between multinationals and subsidiaries, which has an effect on their control (Björkman & Piekkari, 2009). These authors, paraphrasing Luo & Shenkar (2006), have argued that it is through common language that multinational executives develop their strategies and policies, disseminate and implement them, where control of foreign subsidiaries often involves the overcoming/crossing of barriers/language borders (if such a common language does not exist).

Table 3
CONTROL MECHANISMS VERSUS COMMON LANGUAGE

Control mechanisms	Considerations
Centralisation of decision- making	• Means by which shareholders ensure the effectiveness of operations and the implementation of appropriate decisions, as a way of breaking the language barrier; • The degree of centralization depends on the level of linguistic competence of the Subsidiary.
Formalisation	• Although this control is less effective in subsidiaries with low language skills (e.g. translation errors), there has been a tendency for multinationals to use this control.
Results control	• Based on the numbers that subsidiaries submit to shareholders and are used as an indicator of their performance; • Quantitative nature of the control is less susceptible to reinterpretation by the resources of the subsidiaries, representing a standardized mechanism for collecting information and allowing comparisons between subsidiaries. • By its nature it does not show a close link with the language skills of subsidiaries.
Sociability	• There is little evidence of the link between this control and the language skills of the subsidiaries, possibly due to the increased emphasis on formal controls; • It is important not to confuse this control with cultural distance.

Björkman & Piekkari (2009) referring to Ferner (2000), said that the implementation of control mechanisms is seen as a result of a negotiation process in which language competence plays an important role. Control mechanisms are rarely imposed by shareholders, usually involving discussions and negotiations with subsidiary managers, which involve personal interaction between the two; this is nothing more than the involvement of language skills. In this sense, the common/corporate language introduced by the multinational facilitates communication and control (Björkman & Piekkari, 2009; Busco, Caglio & Scapens, 2014; Oliveira, 2020; Quattrone & Hopper, 2001).

However, it is necessary to adapt control mechanisms, such as centralized decision- making, formalization, control of results and sociability, with this common language and, at the same time, the complexity of the environment and of human resources themselves (Björkman & Piekkari, 2009).

Björkman & Piekkari (2009) made a number of comments on the link between the common language and control mechanisms (Table 3), which can be summarized as follows:

Jaussaud & Schaaper (2006) addressed another form of strategic foreign investment, the "joint-venture", namely in China and Japan compared to those in Europe, by preparing a study on the type of control mechanisms applied (formal controls, bureaucratic controls and informal controls), from which they concluded that there are differences between multinationals of various nationalities, particularly as regards the type of controls applied in subsidiaries.

CONCLUSION & MAIN CONTRIBUTIONS

Relevant scientific researches, and consequent contributions, have been performed on multinationals versus subsidiaries in recent decades, particularly with regard to the management control system, a subject that remains current and relevant in the scientific literature in the management field. Gammelgaard, et al., (2012) argued that the pressure of globalization has created incentives for multinationals to change their organizational and strategic structures. The main variables focused on in the literature review are the following:

- Multinationals use a wide variety of mechanisms to exercise control over their geographically dispersed subsidiaries, such as expatriation, active participation among managers, training, sociability and technology transfer;
- Multinationals need to promote attitudes, actions, to encourage managers to make a commitment (transmission of values by shareholders), to develop strategies that contribute to their value chain, to have flexibility to respond to internal and external changes (threats and opportunities) of the environment, to implement interactive control systems and to design management mechanisms that facilitate global coordination, which allow for sustained competitive advantage and business success;
- The level of autonomy of the subsidiary is related to the knowledge transfer process, where this transfer depends on the level and emphasis that local shareholders and managers give to the management of the knowledge process, however the dimension of this transfer is related to the rules of the subsidiaries, namely their organizational culture and the involvement of the top managers of the subsidiaries in this process;
- The effect of autonomy on the performance of the subsidiary is contingent on the market environment. They also concluded that autonomy is more favorable in the uncertain business environment, that is, in which technological changes are rapid and unpredictable, in which the reinforcement of that autonomy versus performance may involve the use of expatriates. However, recourse to expatriates can generate some dynamic tension among shareholders and top managers of subsidiaries;
- There are complex relationships between the level of autonomy of the subsidiaries and the level of network relationships, which consequently have an impact on their performance. Network relations, as a fundamental element of the new age of information/knowledge, are paramount at the level of the subsidiary's performance vis-à-vis the multinational.

The control system remains a major concern for organizations of all kinds and changes in the social and economic environment, technology and the expectations of individuals have transformed the practices of the management control system (Berry, Coad, Harris, Otley & Stringer, 2009). This statement identifies the contingent variables that may have an influence on the control system, and the articles referred to in this paper could therefore be included in the contingency approach of organizations, where organizations are seen as an open system. In the case of multinationals versus subsidiaries, this approach may also be valid, where the contingent variables may be, for example, culture, common language, among others, which will influence the multinational's strategy vis-à-vis the subsidiary.

The following limitations have been identified from the literature review:

- The empirical studies carried out only cover a specific geographical area (Japan,

China, Korea, among others);
- Not all studies include all variables of the control system;
- Limited attention to the importance of social control.

From the various articles analyzed, the following "gaps" have been identified:

Future research on the influence of national cultures of subsidiaries on control, on the cost/benefit ratio of expatriate involvement in subsidiaries, on the effects of cultural distance on the strategy adopted;

Forthcoming research on the link between control and management risk, the relationship between control and culture and the influence of technology on control; Corporate Social Responsibility is an area of research that is prosperous.

In short, it can be concluded that the subject addressed is fertile in topics for future research, namely, the geographical extension of studies, the linking of the various control mechanisms referenced in a single study, as well as, another that refers to the influence of the "Corporate Social Responsibility" may have on the performance in the subsidiaries with effects on the strategy of the respective multinational.

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