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The Evolution of Management Control Systems Following Organizational Integration into a Multinational Group – A Qualitative Case Study

Bianca Oliveira Soares

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PhD João Francisco da Silva Alves Ribeiro

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Abstract

Management Control Systems (MCS) play an important role in coordinating organizational activities and supporting decision-making, particularly in multinational groups where subsidiaries are exposed to corporate requirements while remaining embedded in local organizational contexts. This dissertation examines how MCS evolve following organizational integration into a multinational group and what organizational responses emerge in practice. A qualitative single-case study was conducted in a large Portuguese company integrated into a multinational group, based primarily on semi-structured interviews with management control professionals and internal organizational documentation. The findings show that integration contributed to greater standardization and analytical sophistication of MCS, particularly through group reporting requirements. However, headquarters did not replace local management control practices, and the subsidiary retained substantial autonomy over how information was interpreted and used internally. The dominant organizational response was therefore selective adaptation: mandatory reporting requirements were complied with, while selected group concepts and practices were incorporated and complemented according to local managerial needs. This response was influenced by headquarters-related factors such as the nature of requirements, levels of subsidiary autonomy, quality of dialogue, and the degree of knowledge sharing, as well as the subsidiaries' existing capabilities. The study contributes to the literature by showing that post-integration MCS evolution is an ongoing process in which group-wide standardization and local autonomy can coexist, and by highlighting the importance of the interaction between headquarters influence and subsidiary capabilities in shaping organizational responses.

Keywords: Management Control Systems, Multinational Groups, Post-Integration, Subsidiary Autonomy, Standardization, Selective Adaptation

JEL-codes: M16, M41, F23.

Resumo

Os Sistemas de Controlo de Gestão (SCG) desempenham um papel importante na coordenação das atividades organizacionais e no apoio à tomada de decisão, particularmente em grupos multinacionais, onde as subsidiárias estão sujeitas a requisitos corporativos, mantendo-se simultaneamente inseridas nos seus contextos organizacionais locais. Esta dissertação analisa como os SCG evoluem após a integração organizacional num grupo multinacional e quais as respostas organizacionais que emergem na prática. Foi realizado um estudo de caso de natureza qualitativa, centrado numa grande empresa portuguesa integrada num grupo multinacional, com base em entrevistas semiestruturadas a profissionais de controlo de gestão e na análise de documentação interna. Os resultados mostram que a integração contribui para uma maior normalização e sofisticação analítica dos SCG, em particular devido à introdução dos requisitos de reporting do grupo. Contudo, a sede não substitui as práticas locais de controlo de gestão, e a subsidiária manteve uma autonomia significativa na forma como a informação era interpretada e utilizada internamente. A principal resposta organizacional identificada foi, assim, a adaptação seletiva: os requisitos obrigatórios de reporting foram cumpridos, enquanto determinados conceitos e práticas do grupo foram incorporados e complementados consoante as necessidades locais da gestão. Esta resposta foi influenciada por fatores relacionados com a sede, como a natureza dos requisitos, o grau de autonomia da subsidiária, a qualidade do diálogo e o nível de partilha de conhecimento, bem como pelas capacidades existentes na subsidiária. O estudo contribui para a literatura ao demonstrar que a evolução dos SCG após a integração constitui um processo contínuo, no qual a normalização ao nível do grupo pode coexistir com a autonomia local, e ao destacar a importância da interação entre a influência da sede e as capacidades da subsidiária na definição das respostas organizacionais.

Palavras-chave: Sistemas de Controlo de Gestão, Grupos Multinacionais, Pós-Integração, Autonomia da Subsidiária, Normalização, Adaptação Seletiva

Códigos JEL: M16, M41, F23.

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1. Introduction

Management Control Systems (MCS) play a central role in organizations by fostering coordination, performance monitoring, decision-making, and the alignment of organizational activities with strategic objectives. As time goes by, the concept of MCS has evolved beyond a predominantly formal and accounting-based perspective to incorporate behavioral, social, and contextual dimensions, recognizing that control systems are not only designed but also interpreted, used, and adapted by organizational actors in practice (Merchant & Van der Stede, 2017; Otley, 1999). This broader perspective is relevant in multinational organizations, where subsidiaries are simultaneously exposed to corporate control requirements and to the specific conditions of their local environments.

Additionally, this perspective is particularly relevant in multinational organizations, where headquarters seek consistency across subsidiaries through mechanisms such as reporting, budgeting, performance indicators, common accounting concepts, and standardized procedures (Sageder & Feldbauer-Durstmüller, 2019). Meanwhile, subsidiaries remain embedded in specific institutional, cultural, and operational contexts, creating a tension between group-wide standardization and local adaptation (Ghoshal & Nohria, 1989; Kostova & Roth, 2002).

This tension becomes pertinent following integration into a multinational group. Integration may introduce new control requirements and coordination mechanisms, but these are not necessarily adopted uniformly or without some adjustments. Existing routines, organizational practices, managerial experience, and subsidiary autonomy influence how the new MCS practices are incorporated (Burns & Scapens, 2000; Teittinen et al., 2023). Although multinational control and mergers and acquisitions have been widely studied, less attention has been given to how MCS evolve throughout the post-integration period and to the organizational responses that appear in practice. Recent research suggests that post-integration MCS change extends beyond technical implementation of new systems and is influenced by organizational actors, cultural conditions, and the relationship between headquarters and the subsidiary (Jordão et al., 2014; Mariani et al., 2024; Smeulders et al., 2023).

Based on these considerations, this dissertation aims to examine how MCS evolve following organizational integration into a multinational group. Attention is given to headquarters pressures, subsidiary autonomy, local adaptation, and the organizational responses that arise after integration. Accordingly, the study addresses the defined research question: "How do Management Control Systems evolve following organizational integration into a multinational group, and what organizational responses emerge in practice?"

To answer this question, the study develops an initial framework based on the literature on MCS evolution, multinational control, post-integration pressures, and organizational responses. A qualitative single-case study is then conducted at a large Portuguese company that was integrated into a multinational group, using semi-structured interviews and internal documentation. The study contributes to the literature by examining MCS evolution as an ongoing post-integration process rather than a one-time implementation of corporate controls. Moreover, it explores how headquarters standardization can co-exist with subsidiary autonomy and local adaptation, and how different organizational responses may emerge from this connection.

The remainder of the dissertation is structured as follows: Chapter 2 reviews the relevant literature and presents the initial framework; Chapter 3 describes the methodology and data collection process; Chapter 4 presents and discusses the findings and develops the updated and refined theoretical framework; and Chapter 5 presents the main conclusions, limitations, and directions for future research.

2. Literature review

This chapter centers on the relevant literature to understand the evolution of MCS following integration into multinational groups. It first discusses the concept and evolution of MCS, followed by management control in multinational and post-integration contexts. Finally, it examines post-integration pressures and possible organizational responses before presenting the theoretical framework that guides the empirical analysis.

2.1. Management Control Systems (MCS)

Management Control Systems (MCS) have been the subject of numerous studies, resulting in multiple definitions and conceptualizations over time. MCS have traditionally been defined as mechanisms or processes that enable managers to guide organizational activities, monitor, and evaluate performance to achieve corporate objectives. Prior research has suggested that MCS is "the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives" (Anthony, 1965, as cited in Langfield-Smith, 1997). In recent literature, the field of MCS has undergone notable conceptual development, introducing alternative perspectives on MCS that analyse it not only through accounting-based controls but also by emphasizing its behavioral, strategic, and contextual dimensions (Merchant & Van der Stede, 2017; Otley, 1999).

A closer examination of Merchant and Van der Stede's (2017) definition of MCS reveals that control is ultimately concerned with human behavior, since organizational outcomes depend on decisions and actions of individuals. Therefore, control systems should be understood not merely as technical tools for measuring performance, but also as social and organizational mechanisms through which managers actively influence individuals' behavior, guide decision-making, and reduce goal incongruence (Simons, 1991).

This broader understanding highlights the coexistence of formal and informal controls. Formal types of controls include budgets, KPIs, reporting procedures, and standardized rules, designed to enhance accountability and transparency. In contrast, informal controls rely on shared norms, values, managerial judgment, culture, and personnel controls, often guiding behavior in less explicit ways (Langfield-Smith, 1997; Merchant &

Van der Stede, 2017; Sandelin, 2008). Recent evidence further illustrates the interaction between these mechanisms by demonstrating that organizational culture affects the use of different types of control, including action, cultural, personnel, and result controls (Einhorn et al., 2024). This statement reinforces the idea that formal controls cannot be fully understood without considering the cultural and social conditions in which they are embedded, as employees' values and shared assumptions influence how control practices are perceived, interpreted, and implemented in practice.

Empirical studies also demonstrate that organizations frequently rely on informal practices to complement, interpret, or selectively activate formal controls. Lopez-Valeiras et al. (2015) emphasize that informal mechanisms are central to operational management, and formal controls are activated more selectively. The coexistence of these two different types of control suggests that the internal use of MCS cannot be understood based only on the formal controls, and attention must be given to how the different controls are used, combined, or sidelined in practice, depending on external needs and contextual environments. These findings suggest that the internal use of MCS requires more than simply identifying formal controls. It also demands attention to how various mechanisms are combined, prioritized, adapted, or set aside in light of organizational circumstances and strategic priorities (Barros & Ferreira, 2022).

This idea is reinforced by the conceptualization of MCS as packages of interrelated controls. Malmi and Brown (2008) state that organizations combine multiple control components, such as planning systems, cybernetic controls, administrative actions, and cultural controls, to respond to external expectations and comply with objectives. As a result, they do not necessarily constitute an internally coherent system. Nevertheless, they interact in shaping behavior and organizational decision-making.

Contemporary MCS literature therefore tends to conceptualize control systems as dynamic rather than static. Their development is not simply the result of designing and implementing new formal mechanisms. Instead, MCS evolve as organizational actors interpret new requirements, incorporate them into existing routines, and adapt them to changing organizational conditions. Burns and Scapens (2000) show that accounting change is mediated by establishing rules and routines, meaning that formally introduced controls

may be accepted, reinterpreted, selectively implemented, or resisted. Similarly, Ahrens and Chapman (2004) demonstrate that formal systems may operate coercively or enable managers to exercise judgment and respond to local circumstances. MCS are therefore actively shaped through organizational practice rather than passively implemented.

At the same time, explanations that attribute MCS evolution mainly to environmental or strategic change overlook the role of power and institutional inertia. In contrast, Hopwood (1987) argues that accounting does not merely evolve to reflect changing economic realities but actively constructs organizational realities through social and political processes, while Granlund (2001) further problematizes the functionalist view of evolution by stating how already established routines and professional interests can sustain stability and resist change. These become more visible in periods of disruption, such as post-acquisition integration within multinational groups, as Busco et al. (2006) show that changes in existing MCS practices involve people trusting the new adjustments, and these new routines must be accepted and legitimized in practice. With that said, MCS evolution becomes more of a process of tension, persistence, and negotiated change rather than a smooth adaptation.

In this study, MCS are understood as dynamic and socially embedded control packages composed of both formal and informal mechanisms. This conceptualization allows the analysis to move beyond the technical presence of control tools and to examine how reporting systems, KPIs, budgeting procedures, managerial judgment, organizational culture, and everyday practices interact to shape control after integration into a multinational group.

2.2. MCS Following Integration into Multinational Groups

Following the discussion of the concept and evolution of MCS, it is important to distinguish between two related but distinct ideas. Studying MCS in general in multinational groups is not the same as reviewing MCS after the integration of a specific organization into such a group. The first one focuses on how control operates across geographically dispersed units, and the second focuses on how an acquired or integrated organization responds to new corporate expectations, reporting requirements, and coordination mechanisms. The present study focuses on the latter issue while drawing on the multinational control literature to explain the pressures arising from integration.

In the context of this study, mergers and acquisitions (M&As) provide the relevant organizational setting, as they refer to the transactions through which previously separate organizations are brought under common ownership or control. However, the focus is not on the transaction itself but on the post-integration process in which the acquired organization becomes part of the multinational group and faces new control requirements, coordination mechanisms, and corporate expectations. This process is shaped by the relationship between headquarters and the subsidiary, including the degree of centralization, standardization, autonomy, and cultural integration (Ghoshal & Nohria, 1989; Kostova & Roth, 2002; Rodrigues et al., 2023; Sageder & Feldbauer-Durstmüller, 2019).

2.2.1 MCS in Multinational Organizations

Multinational organizations require mechanisms that enable headquarters to coordinate geographically dispersed subsidiaries and ensure that their activities remain aligned with corporate objectives. Such coordination may involve performance measurement, budgeting, and reporting, centralization and standardization, training, communication, and socialization. Sageder and Feldbauer-Durstmüller (2019) identify several mechanisms through which multinational companies control their subsidiaries, including output, process, and social controls. This classification shows that control in multinational contexts is achieved not only through formal requirements but also through the combined use of technical, procedural, and social mechanisms. These mechanisms facilitate coordination, comparability, and accountability across organizational units while also demonstrating that control in multinational contexts cannot rely exclusively on formal requirements. As Martinez and Jarillo (1989) explain, multinational organizations also rely on informal processes such as lateral communication, socialization, and shared values, and the effectiveness of MCS depends on both.

A critical reading of the literature reveals that the traditional view of MCS as neutral, objective tools for data transmission has been increasingly questioned, as MCS actively shape organizational realities, influencing how space, time, and control are structured within multinational contexts. For instance, Quattrone and Hopper (2005) show that implementing

integrated systems may produce unintended consequences, including the dilution of accountability and the emergence of a more diffuse control structure.

A central tension in multinational control therefore concerns the balance between global standardization and local responsiveness. So, the assumption that best practices can be easily replicated across units disregards the known institutional complexity in which subsidiaries operate. According to Kostova and Roth (2002), subsidiaries face "institutional duality", being influenced by both corporate expectations and the local environment (culture, laws, and business practices), leaving them "caught up in the middle" and making the adoption of MCS practices dependent on implementation and internalization. Consequently, the transfer of organizational practice cannot be understood as a simple process of replication. The adoption and internalization of corporate practices depend on whether those practices are perceived as legitimate and compatible with local organizational conditions.

This is further reinforced by evidence that control systems reflect the multinational's country of origin rather than universal rational models (Harzing & Sorge, 2003), thereby challenging the idea of globally standardized MCS. This tension is further illustrated by Rodrigues et al. (2023), who conducted a case study using multiple semi-structured interviews, showing that the parent company can exert strong influence over a subsidiary's MCS, thereby reducing overall autonomy. Moreover, their findings suggest that the parent company's country-of-origin culture and the cultural distance between the subsidiary and parent shape how controls are designed, interpreted, and imposed locally. Similarly, Ghoshal and Nohria (1989) argue that multinational companies require internal differentiation, meaning different subsidiaries may need to be governed through different combinations of control and autonomy according to their specific contextual conditions.

This balance is also connected to organizational culture. Einhorn et al. (2024) further highlight this relationship, stating that different organizational culture types are associated with different emphases on action, cultural, personnel, and results control. This suggests that the meaning and effectiveness of MCS may vary across organizational units when operating within different cultural settings. Therefore, MCS in multinational organizations are characterized by an ongoing tension between the need for group-wide standardization and the need to accommodate subsidiary-specific conditions.

2.2.2 Post-integration Pressures on MCS

Post-integration change in MCS concerns the concrete impact of integration on the design and use of control systems. Although mergers and acquisitions have been widely studied, research examining how MCS evolve throughout post-integration processes remains comparatively limited. Existing literature frequently focuses on whether new systems are implemented, while overlooking the integration process, which explains how these systems are enacted, adapted, or resisted in practice. This gap is relevant because MCS change should be understood as an ongoing institutional process molded by routines, rules, and organizational actors, rather than a discrete implementation outcome (Burns & Scapens, 2000).

Integration into a multinational group may affect MCS through several mechanisms. First, headquarters may introduce common reporting structures, standardized KPIs, budgeting deadlines, costing principles, and common managerial terminology and practices. These mechanisms are consistent with the literature on multinational control, where standardization and reporting support comparability and coordination across subsidiaries (Sageder & Feldbauer-Durstmüller, 2019). Also, integration may create opportunities for benchmarking, transfer of best practices, and more sophisticated performance analysis.

Nevertheless, the effects of integration extend beyond the technical introduction of control mechanisms. They also may involve broader changes in organizational responsibilities, decision-making processes, managerial roles, and relationships between functional areas. A recent study by Mariani et al. (2024) shows that management accounting change in mergers and acquisitions contexts is comprehensive and advances beyond isolated technical modifications, involving early and full post-deal integration phases and the participation of change agents such as controllers, accounting information system specialists, business managers, and integration teams. This evidence is particularly relevant to the present study because it highlights the role of organizational actors and integration processes in shaping the evolution of MCS. Similarly, Teittinen et al. (2023) demonstrate that managers do not interpret newly introduced MCS uniformly in post-acquisition integration contexts. Their perceptions are shaped by prior managerial experiences, the backgrounds of the

acquired business units, identity threats, and retrospective sense-making, with some previous experiences fostering more coercive perceptions of corporate MCS.

The limited attention given to the relationship between MCS and organizational culture represents another gap in the post-integration literature. While human and cultural factors are widely recognized as key to post-acquisition success or failure, there remains limited empirical evidence on how they interact with MCS in practice. As a result, the integration process is often oversimplified, overlooking the tensions that arise when centrally imposed control mechanisms clash with established local norms and values, as Jordão et al. (2014) note. Similarly, Smeulders et al. (2023) further support this view, demonstrating that cultural differences between acquiring and acquired companies may generate employee resistance, which can negatively affect acquisition performance. Their distinction between *task-integration controls* – plans, models, manuals, and procedures – and *sociocultural-integration* controls – mixed teams, cultural awareness programs, and personnel rotation – highlights the importance of employee responses in determining the effectiveness of formal integration efforts.

With all that said, post-integration changes in MCS are not straightforward technical adjustments. Instead, they constitute complex processes shaped by individuals and continuously evolve, reinforcing the need for qualitative, process-oriented research approaches. This provides the basis for examining the organizational responses that may emerge when new control practices are introduced or reinforced after integration.

2.2.3 Organizational responses to MCS change

Traditional perspectives often assume that organizations passively adopt externally imposed practices, leading to homogeneous outcomes. However, literature increasingly challenges this view, demonstrating that organizations respond to external pressures in different strategic ways (Oliver, 1991). In multinational groups, these responses are further influenced by institutional duality, as subsidiaries must balance the expectations of headquarters with the requirements and practices of their local environments (Kostova & Roth, 2002).

One possible response is alignment, in which the subsidiary adopts the control mechanisms introduced by headquarters. Alignment is more likely to occur under conditions of strong institutional pressure and high perceived legitimacy of the practice (Kostova & Roth, 2002; Oliver, 1991), and in these cases, compliance may reflect not only the technical qualities of the practice but also concerns related to legitimacy and conformity with corporate expectations. However, alignment does not necessarily imply the exact replication of group practices. Organizations frequently adapt centrally introduced mechanisms to fit their operational and institutional circumstances. Adaptation may involve complying with mandatory corporate requirements while modifying how the resulting information is interpreted, communicated, or used locally. Ansari et al. (2010) explain that transferred practices are often subject to adaptation, as organizations adjust their form and use to achieve compatibility with the receiving context. It is also consistent with Burns and Scapens' (2000) argument that existing organizational rules and routines mediate new accounting mechanisms, as adaptation may represent an attempt to reconcile group requirements with local operational needs while preserving the usefulness of the control mechanisms concerned.

Resistance constitutes another possible response. It emerges when external control mechanisms are perceived as misaligned with local realities or present as a threat to established interests, reflecting deliberate attempts to preserve autonomy, existing practices, or mitigate disruptions (Burns & Scapens, 2000; Oliver, 1991). At the individual level, resistance may also occur through less visible behaviors. As noted by Billah et al. (2025), employees may engage in *silent resistance,* expressed through pseudo-compliance, strategic disengagement, or the selective use of control mechanisms, allowing them to preserve local routines without openly challenging authority. In post-acquisition responses, Smeulders et al. (2023) similarly explain that employee resistance can be intensified when task-integration controls are experienced as imposed or disruptive. In contrast, sociocultural controls may reduce resistance by supporting communication, cooperation, and mutual understanding.

In this context, decoupling represents a further response to external control pressures. In its traditional formulation, decoupling refers to the separation between formal organizational structures and actual internal practices. A classic study by Meyer and Rowan (1977) corroborates this, showing that organizations operating in institutionalized contexts

adopt formal mechanisms to signal conformity with socially valued norms and expectations, while internal routines remain unchanged, maintaining external legitimacy without integrating formal types of control into operational practices.

Later research has presented decoupling as a possible response to conflicting institutional demands rather than simply as an implementation failure. Bromley and Powell (2012) explain that organizations may maintain a separation between formal policies and internal practices when external expectations are difficult to fulfill with operational realities. Similarly, Alexius and Grossi (2018) demonstrate that corporations facing both market and moral pressures may strategically employ decoupling, helping foster formal responsibility while preserving discretion over internal practices.

Within management control contexts, Sandelin (2008) states that formal management control systems coexist with informal ones, which dominate daily activities. Following the same logic as Meyer and Rowan (1977), formal controls are primarily present to satisfy expectations of rationality and accountability, while actual control relies on informal tools and managerial judgment, thereby demonstrating a decoupling between formal systems and practice.

Furthermore, Teittinen et al. (2023), in their study of a post-acquisition integration context, suggest that managers do not uniformly interpret newly introduced MCS. Their findings suggest that the same formally introduced controls may be interpreted and enacted differently according to managers' prior experiences, organizational backgrounds, and identity-related concerns. This supports the need to distinguish between formal adoption and how controls are understood and used in practice.

Overall, organizational responses to MCS change are context-dependent and may involve combinations of alignment, adaptation, resistance, and decoupling rather than a single, fixed response. Their nature is influenced by the perceived legitimacy and usefulness of corporate requirements, the maturity of the existing subsidiary's MCS, managers' prior experiences, organizational culture, local operational needs, the degree of autonomy allowed by headquarters, and the way in which new controls are introduced and communicated. This

reinforces the need to explore how such responses unfold in practice after integration into a multinational group.

2.3. Theoretical Framework

Building on the concepts reviewed in the previous subsections, this study adopts an analytical framework that explains how MCS evolves following organizational integration into a multinational group and how different responses emerge in practice.

Garvey and Jones (2021) state that a theoretical framework in qualitative research functions as a conceptual "map" that guides analysis by suggesting relevant concepts and connections, while still allowing findings to emerge from the subsequently collected data. In this case, the framework identifies the post-integration context as the primary driver of change, molding the evolution of MCS and directing attention to how control systems are shaped through the interaction between external demands and internal practices. For visualization purposes, Figure 1 presents the framework's main analytical concepts, establishing the conceptual boundaries of the present study.

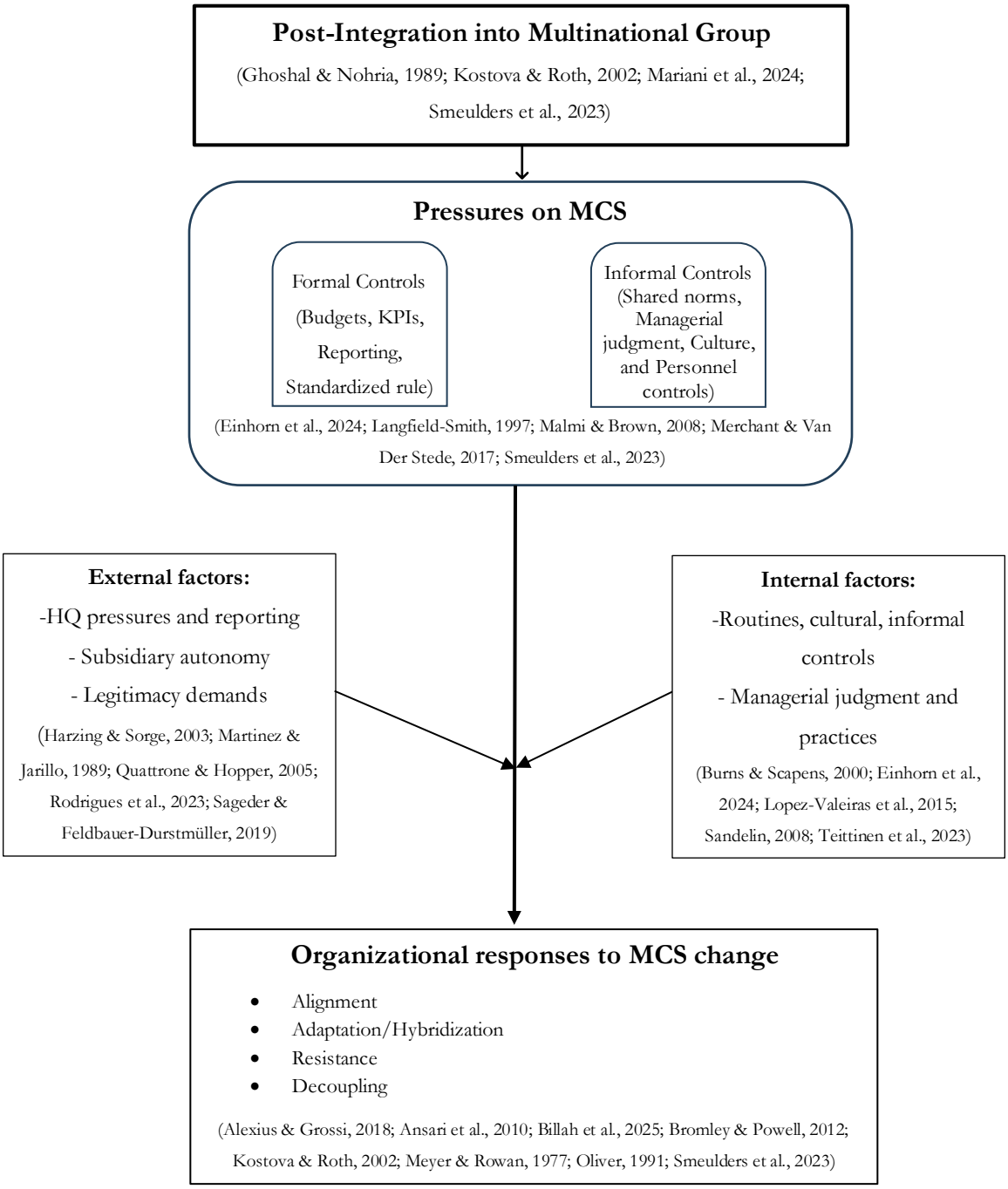


Figure 1 - Theoretical Framework. Source: Own elaboration

Accordingly, the suggested framework begins from the premise that post-integration into a multinational group introduces new forms of control imposed by headquarters, exposing organizations to local institutional environments while creating tensions between the headquarters and local organizational realities (Kostova & Roth, 2002; Rodrigues et al., 2023). Within this context, MCS is not implemented as designed but evolves into a dynamic configuration of formal and informal controls, systematically reinterpreted in practice (Malmi & Brown, 2008; Mariani et al., 2024; Otley, 1999).

The framework shows that the way control systems are used mediates the relationship between external pressures and their internal effects. On the one hand, external demands influence the formal design of control systems (Quattrone & Hopper, 2005; Sageder & Feldbauer-Durstmüller, 2019), and on the other hand, internal elements affect how these systems are enacted in everyday activities (Burns & Scapens, 2000; Einhorn et al., 2024; Sandelin, 2008; Teittinen et al., 2023). With this being determined, it is assumed that control systems are understood as socially embedded and negotiated, rather than purely technical mechanisms (Ahrens & Chapman, 2004).

To this effect, several organizational responses are examined as outcomes of this process: alignment, adaptation, resistance, and decoupling (Ansari et al., 2010; Bromley & Powell, 2012; Meyer & Rowan, 1977; Oliver, 1991; Smeulders et al., 2023). Therefore, the framework responds directly to recent calls for a more contextual and processual understanding of MCS change in multinational and post-acquisition settings. It addresses how formal systems, cultural conditions, subsidiary autonomy, employee perceptions, and integration controls interact over time, rather than as isolated variables.

By integrating these elements, the framework provides a structured basis for examining the research question that the study aims to answer: "How do Management Control Systems evolve following organizational integration into a multinational group, and what organizational responses emerge in practice?"

3. Methodology

3.1. Methodological and case study selection

For this study, a qualitative case study approach was adopted. As previously stated, given the limited empirical evidence concerning post-integration MCS evolution, a qualitative design is pertinent to the investigation's research objective. This dissertation aims to understand how Management Control Systems evolve following organizational integration into a multinational group and how these systems are enacted and adapted in practice, making the case study method suitable.

Prior research on qualitative case studies suggests that this approach is appropriate for answering "how" and "why" questions in real-life organizational contexts, especially when researchers have little or no control over behavioral events and when boundaries between the phenomenon and its context are not clearly evident (Yin, 2018). The choice of a qualitative case study design is also consistent with the theoretical foundations of this research. As highlighted throughout the literature review and with Scapens' (1992) perspective on management accounting research, qualitative case studies are a suitable method for examining management control systems because these systems cannot be understood as technical mechanisms. They must be fully understood as socially embedded practices adopted by organizational actors, depending on the institutional context and power relations (Burns & Scapens, 2000; Busco et al., 2006; Teittinen et al., 2023). Moreover, management accounting systems should be studied in their utilization, design, and interpretation over time. Consequently, understanding how organizational actors experience and interpret changes to control systems requires an in-depth, context-sensitive methodological approach.

To better investigate the research question, this study adopted an explanatory single-case study design. Case studies of this nature are particularly appropriate for examining presumed causal links in real-world contexts when these are too complex to be adequately investigated through survey or experimental methods (Yin, 2018), and, with this statement, it is confirmed that an explanatory qualitative case study is the best approach to study the evolution of Management Control Systems in a post-integration context.

The selected organization is a large Portuguese company that has been part of a multinational group for several years. The case was purposefully selected for its relevance to examining the evolution of MCS following organizational integration into a multinational group, and for presenting the characteristics needed for this kind of study. However, following Yin (2018), the case is not treated as a statistical sample, since case study research seeks analytic rather than statistical generalization.

To ensure confidentiality and comply with ethical research standards, pseudonyms are utilized throughout this study. Following Yin's (2018) recommendation that case study researchers must disguise the identities of organizations and participants when confidentiality is relevant, the focal company is called *Alpha Company (AC)*, and the multinational parent company is referred to as *International Group (IG)*. The choice to use pseudonyms protects both organizational and individual identities while allowing the findings to be presented in sufficient detail in order to preserve their analytical value. Moreover, anonymization encourages interpretation of the findings beyond the specific organizational setting and supports the research's objective of contributing to broader theoretical discussions concerning this study's research question. Consistent with the principle of analytical generalization in case study research (Yin, 2018), the intention is not to present the findings as unique to the company under study, but rather to generate insights relevant to other organizations facing similar challenges and management control transformations. Also, in line with Sridharan (2020), such analytical generalization depends on the development of transferable concepts and themes derived from empirical evidence, enabling qualitative case studies to contribute to a vast theoretical understanding beyond the immediate case context.

The selection of a single-case study method is consistent with obtaining an in-depth understanding of a specific organizational context and its management control practices. These types of case studies are particularly appropriate when researchers seek to generate rich and contextualized insights into a phenomenon that cannot be meaningfully separated from its organizational environment (Baxter & Jack, 2008; Yin, 2018). So, instead of pursuing statistical representativeness, the objective is to develop a comprehensive understanding of the processes through which MCS evolve and are interpreted by organizational actors.

3.2. Data Collection and Analysis

Given the study's case-based design, selecting the data collection method was crucial to developing a more nuanced understanding of the evolution of MCS in the post-integration context. For this purpose, data collection relies primarily on semi-structured interviews and internal organizational documentation. The use of multiple sources of evidence is widely recognized as one of the principal strengths of case study research because it allows researchers to examine phenomena from different perspectives and increases the robustness of the study (Baxter & Jack, 2008; Yin, 2018). This supports triangulation of the sources and enhances the credibility of the findings. Furthermore, using semi-structured interviews as the main data collection method combined a consistent line of inquiry with a flexible and conversational approach, allowing relevant issues to be explored in greater depth as they emerge during the interviews (Yin, 2018). Moreover, semi-structured interviews were chosen because they provide sufficient flexibility to explore participants' experiences, interpretations, and perceptions while maintaining consistency using a common interview protocol (Baxter & Jack, 2008).

The data collection process occurred in two stages. Initially, two exploratory interviews were conducted with the Head of Planning and Management Control in December 2025 and January 2026, respectively. These preliminary interviews served as pilot interviews and were used to develop familiarity with the company's context, understand the structure and evolution of the management control function, and to identify the most relevant themes associated with the organization's integration into a multinational group. Overall, the insights obtained from these interviews contributed to the refinement of the research question and supported a closer alignment between the study and the organizational reality under study. The two pilot interviews were not included in the formal thematic analysis. Furthermore, these two pilot interviews informed the development of the interview guides by identifying relevant themes, organizational terminology, and areas requiring exploration. According to Yin (2018), this is consistent with the qualitative case study approach, where the development of theory and empirical evidence understanding often occurs simultaneously throughout the research process.

After the pilot stage, four semi-structured interviews were conducted with organizational actors occupying different roles within the Planning and Management Control

function. These included the Head of Planning and Management Control (Interviewee A), a Business Partner responsible for the Supply Chain area (Interviewee B), a Business Partner responsible for the Commercial area (Interviewee C), and a senior member of the Management Control department with extensive experience in group reporting (Interviewee D). Participants were selected through purposive sampling due to their direct involvement in management control processes and their knowledge of the relationship between the company and the multinational group. The identification of potential interviewees for this study was facilitated by the Head of Planning and Management Control, who recommended organizational actors in roles relevant to the study's objectives, considering their responsibilities, experience, and involvement in management control activities. Consistent with Alam (2020), purposive sampling seeks to identify participants capable of providing rich and relevant insights into the phenomenon under investigation.

The interviews were conducted between April and May 2026 and lasted between approximately 25 and 50 minutes. Two interviews were conducted face-to-face at the company's premises, namely with the Head of Planning and Management Control (Interviewee A) and the Business Partner of Supply Chain (Interviewee B), and the interviews with the Business Partner of Commercial (Interviewee C) and the senior Management Control professional (Interviewee D) were conducted online. With participants' consent, all interviews were audio-recorded and subsequently transcribed to facilitate detailed analysis. Given the different organizational responsibilities, three interview guides were developed. They were mostly based on the theoretical framework that addressed themes such as the evolution of MCS following integration, reporting practices, performance measurement, formal and informal control mechanisms, headquarters influence, and the relationship with the subsidiary, local adaptation, and organizational responses. A general interview guide was designed for the participants occupying broader management control roles, namely Interviewee A and D. Two additional interview guides were developed specifically for the Supply Chain area for Interviewee B and the Commercial area for Interviewee C, allowing greater focus on the control practices, reporting processes, and operational realities associated with each functional area. Moreover, although Interviewee C was interviewed because of their role in the Commercial area, they had previously worked in the Supply Chain area. They were therefore asked some questions regarding it as well. Copies of the three

interview guides are provided in the appendices, and below, Table 1 summarizes the main characteristics of the interviews conducted.

The interviews were conducted in Portuguese, so direct quotations included in the findings section were translated into English, while preserving the meaning of the original statements as closely as possible.

Interviewee	**Position/Department in company AC**	**Format**	**Date**	**Duration**
A	Head of Planning and Management Control	Face-to-face	23-04-2026	00:47:03
B	Business Partner Supply Chain	Face-to-face	23-04-2026	00:37:51
C	Business Partner Commercial	Online	26-05-2026	00:26:00
D	Senior Management Control professional in group reporting	Online	29-05-2026	00:25:37

Table 1 - Summary of the main characteristics of the interviews. Source: Own elaboration

The following analysis began with the transcription of all interviews, enabling a more systematic and detailed examination of participants' accounts. The transcripts were iteratively read and reviewed to ensure familiarity with the data and to identify recurring themes, patterns, and participants' perceptions regarding the study's objective. The interview material was then coded thematically, combining themes initially informed by the interview guides and the theoretical dimensions identified in the literature review with additional themes that emerged inductively from empirical evidence. The coding process focused particularly on post-integration changes in MCS, headquarters influence, formal and informal controls, local adaptation, and organizational responses. Comparisons across interviews were used to identify areas of convergence and divergence between participants and functional areas.

Documentary evidence provided by Interviewee A, named "O Controlo de Gestão na AC" (Alpha Company, 2025), was also analysed to complement and contextualize the interview findings, particularly regarding the historical development of the management control function, organizational structure, reporting processes, governance arrangements, and the Business Partnering model. Alpha Company (2025) provided valuable contextual information for this study and supported a deeper understanding of the changes discussed by interviewees. Such triangulation strengthens the credibility of qualitative findings by enabling researchers to compare and validate evidence from different sources (Sridharan, 2020). In addition, triangulation contributes to a more comprehensive representation of organizational realities and helps reduce the risk of relying only on participants' subjective interpretations (Bruesch & Quinn, 2022). Throughout the analysis, the emerging patterns were interpreted in relation to the theoretical framework, supporting the identification of the main post-integration changes, organizational changes, organizational responses, and factors shaping those responses.

4. Case Study Findings and Discussion

This chapter presents and discusses empirical results considering the main dimensions of the theoretical framework. It begins with a brief description of the case organization and its management control context. Then, it examines the pressures placed on AC's MCS following integration into the multinational group, how these pressures were enacted locally, and the organizational responses that emerged. Finally, the chapter discusses the internal and external factors that shaped those responses and develops a refined theoretical framework based on the empirical findings.

4.1. Case company background

Alpha Company (AC) is a large Portuguese company. For confidentiality reasons, both the company and the multinational group to which it belongs, International Group (IG), are anonymized throughout this study. AC was originally established as a Portuguese organization with its own local structures, routines, and management practices. Following its integration into IG, the company became part of a broader multinational context, in which local management control practices began to coexist with group-level reporting requirements, standardized performance indicators, common accounting concepts, and corporate planning procedures.

AC is a relevant case for this study because its management control function has undergone a significant organizational evolution. According to Alpha Company (2025), until 2014, the company operated under a more decentralized model, characterized by proximity to operations and flexibility, but also by limited information standardization, reduced process uniformity, absence of defined governance forums, and differentiated practices across departments. After 2014, AC moved towards a centralized model based on business partnering, designed to combine transversal coordination with local operational focus. This model aimed to promote greater standardization, stronger process uniformity, resource synergies, and closer support to business areas.

The Planning and Management Control function currently plays a central role in supporting the Executive Committee, coordinating the planning cycle, monitoring strategic objectives, and following organizational performance in partnership with operational areas.

Its activities include strategic planning, budgeting, forecasting, analytical accounting, group reporting, performance analysis, business cases, and improvement projects. The business partnering structure is particularly important because it allows management control to remain close to areas such as Supply Chain, Commercial, and Marketing, while still operating according to common principles and shared practices.

This background makes AC an appropriate setting for examining how MCS evolve after integration into a multinational group. AC enabled the study to explore how headquarters requirements, reporting discipline, standardization, local autonomy, and business partnering interact to shape the development of MCS in practice.

4.2. Post-Integration Pressures and Changes in MCS

The findings suggest that integration of AC into IG contributed to a systematic evolution of its MCS. This evolution was characterized by increasing formalization, standardization, and analytical sophistication across reporting practices, performance monitoring, cost analysis, and management control within the organization. Rather than demonstrating a straightforward process of headquarters imposition, the evidence shows that these developments emerged through a continuous interaction between corporate requirements and local organizational practices. Participants did not describe the process as a sudden replacement of local systems by headquarters systems. Instead, they described a progressive development through which new reporting requirements and analytical practices were incorporated into an existing local control structure.

"We moved from a reporting logic that was mainly financial to a broader group reporting model, […] it began to incorporate a more structured view of sales, […]. It also started to integrate operational KPIs, including supply chain indicators such as losses and efficiency variances, as well as KPIs from other areas, such as commercial and marketing, including, for example, market share and positioning" (Interviewee A)

This change is also supported by Alpha Company (2025), which describes that the company progressively evolved from a more decentralized model to a more centralized, business-partnering-oriented structure. According to the document, until 2014, the company

operated under a decentralized model characterized by proximity to operations and flexibility, but also by a lack of standardization, reduced process uniformity, absence of governance forums, and limited cooperation between departments. The subsequent organizational evolution introduced a centralized and business-partnering model that is still in use today. The shift from decentralized control within individual departments to a centralized business-partnering setup further explains this change. All interviewees noted that the previous decentralized system often caused doubts, inconsistent calculations, duplicated analytical efforts, and varied interpretations of organizational performance across departments. The centralized approach created a shared analytical framework while maintaining close collaboration with operational areas through the business partnering structure.

"When controllers were embedded within the operational areas, there was no single source of truth logic. Each person extracted the data in their own way and did not fully understand what they were extracting. […] Since we have been organized in one single department, with the business-partnering model, it has worked much better. […] Everyone is concerned with ensuring that they are working from the same data foundation." (Interviewee D)

Moreover, Interviewee A noted that the more centralized model and business partnering logic support operational areas, generate insights, and contribute to value creation.

"This way of working and the contact with the multinational group opened our minds to the fact that management control has significant potential beyond the financial dimension. [...] When we combine our analysis of the numbers with the knowledge of the operational areas, it creates a great deal of value." (Interviewee A)

Thus, the reporting system became broader and more structured over time. In addition to statutory and financial information, AC began to work with more detailed reporting by function, category, channel, brand, market, and operational area. This allowed the company to develop a richer understanding of performance and profitability. Interviewee A explained that the group also contributed to improving a more in-depth profitability analysis, particularly by encouraging the allocation of costs that had previously been treated in a less detailed manner.

"We already had a base, but we started incorporating costs afterwards and allocating them to the market, the country and the channel. In some cases, we can even go down to store level." (Interviewee A)

This suggests that MCS evolution in AC was not purely technical or linear, and that it ultimately involved the gradual incorporation of new group requirements into existing organizational routines. This is consistent with Burns and Scapens' (2000) account of how newly introduced rules may gradually become incorporated into organizational routines. In AC's case, the evidence therefore concerns changes in established routines and practices rather than bigger changes in underlying institutions. The findings also support Busco et al.'s (2006) view that management accounting change involves learning, trust, and negotiation. AC's evolution depended not only on new reporting structures, KPIs, or analytical tools, but also on repeated interaction between management control and operational areas, particularly through the business partnering model. This reinforced Otley's (1999) view of management control as part of a broader performance management framework, since AC's MCS moved beyond financial reporting to incorporate operational, commercial, market, and strategic dimensions. This shift allowed management control to become more involved in decision support and value creation, so integration into multinational IG appears to have expanded this scope by encouraging the subsidiary AC to develop more comprehensive and analytically sophisticated forms of performance management.

At the same time, the findings show that this evolution strengthened the coherence of AC's control package. Throughout the interviews, none of the participants described individual control instruments as independent practices, stating that reporting systems, KPIs, budgeting processes, profitability analysis, costing methods, and business partnering are interconnected components supporting the same organizational objectives. Interviewee D highlighted the role of the group reporting structure in creating consistency across the organization.

"[…] but the basis is IG. There is a single source of truth, which is IG reporting, and then we break it down according to what we need to analyse internally." (Interviewee D)

This is consistent with Malmi and Brown's (2008) view of MCS as a package of interrelated controls, as well as Sandelin's (2008) argument that control mechanisms cannot be understood in isolation. In AC, group reporting, KPIs, budgets, forecasts, costing rules, dashboards, analytical accounting, and monthly performance reviews formed the formal side of the control package. These mechanisms created discipline, consistency, accountability, and a common basis for decision-making. However, the findings also show that formal controls are not sufficient on their own. Their use depends on interpretation, business knowledge, communication with operational areas, and managerial judgment. Interviewee C explained that in the Commercial area, analysis typically starts with formal indicators, which need to be complemented by conversations with the commercial team to understand the context behind the numbers.

"I usually rely more on formal indicators, but then I always have conversations with the commercial team to understand the context, because sometimes what may look like a problem financially may not actually be one. […] We cannot look only at the numbers. As people often say here, we are not just accountants; we must look at the whole context." (Interviewee C)

A similar interaction between formal information and informal interpretation also happens in the Supply Chain area. Interviewee B highlighted that management control provides information and analysis, but operational actors bring technical and operational know-how necessary to understand deviations and make decisions.

"People working in operations have extensive operational and technical know-how, which enables them to make the decisions required at any given moment. We work together with the Supply Chain team to understand the reasons behind a particular deviation, whether favourable or unfavourable" (Interviewee B)

An important finding regarding this topic concerns the transformation of the management control function itself. Although reporting became increasingly standardized, the interviewees consistently emphasized that the controller's role expanded well beyond traditional monitoring. Management controllers are no longer perceived merely as financial controllers responsible for verifying compliance, as they have gradually taken on advisory and collaborative responsibilities through the business partnering model. Participants described management control as a function that supports business areas, interprets

deviations, challenges assumptions, and helps managers understand the financial and operational implications of their decisions. To explain this, Interviewee B used the metaphor of the controller as a co-pilot, emphasizing the supportive role of management control.

"Management control is the co-pilot of this journey. We are not the ones on stage, nor do we want to be, but we are beside our business partners, supporting, alerting, signalling, and anticipating." (Interviewee B)

Across all organizational levels, participants consistently framed the development of MCS as a mechanism for supporting better decisions, not as a means of increasing organizational surveillance. Some examples of tools that improve organizational understanding presented during the interviews were reporting discipline, profitability analysis, benchmarking, and standardized KPIs. None of the participants described these developments primarily as tools for increasing managerial control over employees or reducing subsidiary autonomy. For them, these improvements assure information quality, stronger coordination, greater analytical consistency, and enhanced decision support. This means that the evolution of the function was therefore not limited to the introduction of new reports or KPIs. It also involved a change in how management control was perceived internally, which means that, instead of being seen solely as a controlling or compliance-oriented function, it became increasingly associated with value creation, decision support, and business partnering.

"At first, we were seen mainly as management control, in a more control-oriented perspective, questioning and assuming a more controlling role. […] Later, we realized that to develop our analyses, this was not enough. […] it became necessary to move towards a partnership logic." (Interviewee A)

Moreover, the evolution of the controller role is central to understanding the changes in AC's MCS. Interviewee A, as the Head of Planning and Management Control, described the evolution in the profile of management controllers.

"Before, we had profiles that were 100% analytical, and that was enough. Now it is not like that anymore, because it is necessary to interact with business areas, to present, explain ideas and communicate." (Interviewee A)

This finding supports Merchant and Van der Stede's (2017) behavioural view of management control, according to which MCS are not only mechanisms for measuring performance, but also tools for influencing decisions that assist organizational objectives. In AC, formal indicators and reporting structures provided a common basis for analysis, but controllers translated this information into operationally relevant understanding through dialogue with business areas. This also reflects Ahrens and Chapman's (2004) argument that formal MCS can work in enabling ways when they help managers interpret centrally defined standards in light of local circumstances.

Interviewee D further clarified how formal control mechanisms interact with locally developed management information and informal managerial processes. While the multinational group clearly influenced standardized reporting structures, AC continued to develop internal analyses tailored to local decision-making.

"Formal controls completely influenced. […] Regarding informal controls, we still have our internal information, such as the P&L by market or by channel, which helps support more operational decisions. […] We can break down the information in whatever way we need, but the underlying basis remains the same: what we report through the group reporting system." (Interviewee D)

Although the interviewee referred to this locally developed information as "informal", analytically these reports constitute formal management information, as the informal dimension lies in the managerial judgment, dialogue, and operational knowledge through which that information is interpreted and used.

Moreover, this indicates that the coexistence of formal and informal controls does not represent a contradiction in AC's MCS. What really matters is how they interact in practice, as business partnering sits at the centre of this interaction by connecting standardized group information with the knowledge held by operational areas.

The case also suggests that MCS evolution involved both change and continuity. AC did not abandon its previous control routines entirely. Instead, it refined and expanded them by incorporating group requirements. This reflects Granlund's (2001) argument that management accounting change often coexists with stability, since change may occur through

the strengthening and redirection of existing practices rather than radical replacement. Interviewee D noted recent changes, such as the implementation of Operational Cost Management (OCM), which necessitated adjustments to internal reports to ensure alignment between internal and group reporting.

"More recently, OCM appeared. It is a different way of presenting operational costs. […] and we had to readjust our reports because it would not make sense to report one way to IG and another way internally. Otherwise, no one would understand each other." (Interviewee D)

Collectively, the evidence portrayed this evolution as a shift towards standardized, yet flexible management control practices designed to enhance coordination, support decision-making, and create organizational value. Rather than reflecting a linear process of headquarters implementation, this evolution emerged through continuous interaction between formal requirements and locally ingrained practices.

4.3. Organizational responses to MCS change

The findings indicate that AC's response to the changes associated with integration into IG was predominantly adaptive. Although some requirements initially generated pressure and adjustment difficulties, the interviews provide little evidence of sustained resistance, rejection, or merely symbolic compliance.

To begin with, Interviewee A described the overall response as positive, stating that the group requirements introduced discipline, rigor, and deadlines, while also creating an intangible effect on the organization: a greater awareness of continuous improvement and value creation beyond what was formally required.

"Overall, I consider it very positive. It encouraged the sharing of best practices and introduced greater rigor and stricter timelines, and maybe they would not exist otherwise. […] In our case, it was not constraining." (Interviewee A)

From Oliver's (1991) perspective, AC's response to mandatory group requirements is closest to acquiescence through compliance. The author shows that organizations do not respond to external demands in just one way, as the typology ranges from acquiescence to more active forms of resistance: acquiescence, compromise, avoidance, defiance, and manipulation. Reporting formats, deadlines, costing principles, and common performance concepts were consciously accepted and followed rather than avoided or openly challenged. But compliance did not determine how these practices were actually used inside the subsidiary. The company kept discretion over how it interpreted, supplemented, and folded group information into local management. This case shows that it is possible to achieve both strong compliance with core standards and genuine local agency in practice.

The evidence also points to limited and temporary resistance. Interviewees C and D acknowledged that new KPIs, reporting concepts, performance expectations, and deadlines could initially be perceived as demanding. Nevertheless, these reactions were generally followed by adjustment and acceptance, which they regarded as part of the normal process of management control. As Interviewee D explained:

"Sometimes a new KPI appears, and it takes some time for people to get used to it. […] There is always a bit of initial resistance, but people end up accepting it. […] If the Executive Committee starts using it, directors start using it, and then the people below start using it too, until it becomes embedded." (Interviewee D)

Moreover, Interviewee C explained that people are encouraged to focus on what they can control and to justify deviations when objectives cannot be achieved.

"There may initially be a feeling that the idea is very demanding, but then people end up accepting it. It is a normal process. […] Management control is also here to demand more and influence behaviors." (Interviewee C)

This evidence is consistent with Burns and Scapens' (2000) argument that newly introduced management accounting rules become established when they are progressively incorporated into organizational routines. At AC, repeated use and endorsement across hierarchical levels contributed to the normalization of new requirements. Initial discomfort

did not represent rejection of the controls themselves, but rather a temporary stage in the process through which they became part of established ways of working.

Teittinen et al. (2023) help interpret this process by showing that managers make sense of newly introduced MCS in light of their previous organizational and professional experience. In AC, the broadly constructive view of group controls can therefore be partly explained by the subsidiary's prior exposure to formal management control as described in Alpha Company (2025), and its ability to link group requirements to established managerial practices. This issue is further examined in the following section.

The limited resistance observed in AC also contrasts with the findings of Smeulders et al. (2023). Their study shows that cultural differences between acquiring and acquired organizations can generate initial employee resistance and that the consequences of this resistance depend on how the integration process is managed. Task integration controls may amplify the negative effects of existing resistance, whereas sociocultural controls can mitigate them. In AC, although some formal requirements were perceived as demanding, the interviewees did not generally associate them with persistent opposition to the integration process. Instead, they emphasized dialogue, knowledge sharing, and some freedom to develop practices that remained relevant to the local business. Interviewee B stated:

"I don't feel that there is an imposition. There is freedom to develop tools and analyses that are useful for the area, or even to challenge new approaches." (Interviewee B)

This suggests that AC's response depended not only on the formal nature of the requirements, but also on how the relationship with headquarters was experienced. Mandatory obligations coexisted with room for local initiative, reducing the likelihood that initial pressure would develop into stronger or more persistent resistance.

Beyond compliance, the findings reveal a pattern of selective adaptation. Ansari et al. (2010) argue that practices are rarely transferred unchanged and define adaptation as the process through which adopters seek to create a better fit between an external practice and their own organizational objectives. This perspective is particularly relevant to AC, as the subsidiary worked with group practices without simply copying them and largely kept IG's

mandatory elements intact. The shared reporting structures, concepts, indicators, and benchmarks formed a common base that AC built on with local reports, analysis, business cases, and tools tailored to different functional areas. In this sense, adaptation in AC occurred primarily in the way group practices were extended and mobilized for local managerial purposes, allowing standardized corporate requirements to coexist with meaningful local uses.

Interviewee D clearly distinguished between the formal requirement imposed by IG and the discretion retained by AC in the use of the resulting information:

"The only thing imposed by IG is the reporting format in HFM. We must report on that tool, according to their layouts, on the fifth working day in the morning. […], what we import into our internal information is that basis, although we obviously add our own details." (Interviewee D)

The same distinction was visible in Supply Chain. Interviewee B emphasized that formal monthly reporting was fixed, offering no flexibility, whereas management information could be continuously adjusted:

"In formal monthly reporting, there is no flexibility. There are defined deadlines and validations. In management information, however, we have that freedom. I would say there is an agreement, a kind of 'contract' between Supply Chain Management Control and the different business areas, which allows for this continuous adjustment. There is a standard, but if there is a need to add something, we evaluate it." (Interviewee B)

In the Commercial area, Interviewee C similarly explained that the company cannot ignore IG's guidelines, but the interpretation of the numbers and the communication of results are adapted locally:

"We can never forget that IG, as a shareholder, has guidelines that we have to follow. There are things we cannot escape. But the interpretation of the numbers and the way we read them is what we adapt to the local context." (Interviewee C)

So, the shared framework was preserved, but the subsidiary retained discretion over its managerial use. AC's response therefore combined formal compliance with local agency, rather than representing either complete alignment or rejection.

The case must also be considered in relation to decoupling. Meyer and Rowan (1977) famously describe decoupling as a separation between formally adopted structures and practices actually enacted within the organization. However, the traditional ceremonial decoupling was not a central response in AC's case, primarily because IG did not require AC to replace its local routine management control practices. Participants stated that the formal reporting system reflects the organization's current situation and that reported information is consistent with internal management. Nevertheless, the case does show a distinction between reporting for the group and analysis for local decision-making.

This distinction, therefore, reflects different levels of control rather than a separation between formal compliance and actual practice. IG provided group reporting with standardized aggregated information, whereas AC developed more detailed analyses for local managerial decision-making. Interviewee A explicitly distinguished between these two purposes:

"To comply with the group, simply reporting and flagging issues would be sufficient. However, the process evolved to demand collaboration, value creation, and the continuous pursuit of improvement. There is always this logic of going beyond financial data." (Interviewee A)

This evidence suggests that the distinction between group reporting and local managerial use should not be interpreted as ceremonial decoupling. AC met IG's reporting requirements while retaining the flexibility to establish local management control practices suited to its operational and managerial needs.

At the same time, the two levels did not remain separate. Some concepts, indicators, and practices associated with the group reporting framework were considered useful and subsequently incorporated into AC's local management control activities. The group framework therefore became more than an external reporting requirement, as selected elements were adapted for internal analysis.

Bromley and Powell (2012) offer a useful refinement by cautioning against treating any divergence between formal structures and organizational activity as decoupling. This is closer to what occurred at AC, where the coexistence of group reporting and local management control reflected different purposes and levels of analysis rather than symbolic implementation. Similarly, the evidence does not indicate the type of conflicting institutional demands described by Alexius and Grossi (2018).

Overall, the case is better characterized by selective adaptation than by decoupling. IG imposed core reporting requirements while allowing AC substantial autonomy over its local management control practices. The company maintained these two levels, but selectively integrated group concepts and practices into its systems when beneficial. Selective adaptation thus emerged from the combination of compliance with mandatory reporting requirements, continued local autonomy, and the incorporation of selected group practices into everyday management control.

4.4. Factors Shaping the Organizational Response

The findings indicate that AC's organizational response was shaped by the nature of headquarters' influence and by the degree of autonomy retained by the subsidiary. Although IG established a common control framework through mandatory reporting formats, deadlines, accounting concepts, budgeting cycles, costing principles, and performance indicators, its influence was not described as uniformly coercive. Instead, mandatory requirements coexisted with dialogue, knowledge sharing, and discretion over the development and use of local management information. This configuration helps explain why AC responded through selective adaptation rather than sustained resistance or complete conformity.

This is consistent with the literature on management control in multinational companies, which emphasizes reporting, budgeting, performance measurement, centralization, and standardization as mechanisms for coordinating subsidiaries, ensuring comparability across organizational units, and aligning them with corporate objectives (Sageder & Feldbauer-Durstmüller, 2019). These authors highlight the roles of standardized procedures and integrated information systems in ensuring timely and consistent reporting. In AC, these mechanisms were particularly visible in the annual reporting calendar, the

common reporting platform, shared accounting terminology, and standardized costing principles. However, their presence did not result in the complete centralization of local management control, as AC retained discretion over the internal processes used to meet group requirements and over the analyses developed for local decision-making.

In AC, this influence extended beyond technical procedures and affected the language used internally. Interviewee D explained that expressions such as Net Sales and EBIT became part of the internal language and helped ensure that people across the organization were referring to the same figures.

"When we talk about Net Sales, we know that everyone is looking at the same number. There is also influence in the language. We adopted English expressions such as Net Sales and EBIT. At the beginning, this was a process, but we adopted it gradually." (Interviewee D)

The adoption of common terminology therefore reinforced the coordinating effect of headquarters influence by reducing ambiguity and supporting a shared understanding of performance across the organization.

Interviewee A distinguished between the mandatory nature of the group reporting and the local autonomy retained in organizing the processes that supported it:

"Group reporting is fixed and, in that sense, imposed. We accept it and adopt it for efficiency reasons. For example, the reporting timings are defined by the group, and we follow the same deadlines. […] However, the internal process until reaching those moments can be defined by us." (Interviewee A)

This evidence shows that headquarters defined the expected outputs and reporting moments, while AC maintained control over how those outputs were produced internally. Subsidiary autonomy, however, was not expressed by rejecting group requirements but by exercising discretion over their operational implementation. This helps explain why strong formal compliance could coexist with the selective adaptation identified in the previous section.

Interviewee D further illustrated the formal influence of headquarters through the annual reporting calendar. According to this participant, IG sets the annual reporting calendar, including monthly closing dates, estimates, budget deadlines, and other reporting moments. AC has become highly accustomed to these timings, even though they are demanding.

"Every year the IG reporting calendar is issued […] setting out the main closing deadlines, reporting dates, estimates and budget deadlines. The company is now fully accustomed to this schedule and has adapted its processes accordingly. However, the deadlines remain demanding. […], we must always complete the reporting by the morning of the fifth working day. But our fifth working day does not always coincide with theirs because they don't have the same national holidays, which requires careful coordination on our side." (Interviewee D)

This quotation demonstrates that standardization required local coordination rather than simple execution of centrally designed procedures. AC complied with the group calendar but had to manage differences in national holidays and local working arrangements. Headquarters influence created a common temporal structure, while the subsidiary retained responsibility for adapting its internal processes to ensure compliance.

The relationship between global requirements and local conditions can be interpreted through Kostova and Roth's (2002) concept of institutional duality. They argue that subsidiaries face institutional duality because they must respond simultaneously to pressures from the parent organization and to the institutions in which they operate. In AC, this duality was managed through compliance with common group principles combined with local discretion over implementation, interpretation, and managerial use.

This balance was especially evident in the distinction between Supply Chain and Commercial. In the Supply Chain area, the headquarters' influence was particularly evident in costing concepts, benchmarks, and standardized rules. Interviewee B emphasized the importance of standardizing costing concepts, including Cost of Goods Sold (COGS) and inventory valuation rules, as well as the standard cost revaluation rule applied when cost variations exceed a defined threshold.

"In Supply Chain, we have the concepts and good practices of the group in place, especially regarding costing concepts, COGS, and logistics expenses. There is also a rule from the group for the revaluation of standard costs, which we follow as defined." (Interviewee B)

At the same time, compliance with these principles did not prevent the development of locally relevant analyses:

"The core, the structural basis, is respected. The analyses evolve: some grow, others stop making sense and are discontinued, and others are adapted. There is a standard […], but there also can be ad hoc when needed." (Interviewee B)

These statements illustrate how formal group alignment and local discretion operated together. Standardized concepts provided a stable, common basis, and local analysis evolved in response to changing operational needs. Autonomy therefore concerned the extension and use of the common framework rather than the freedom to disregard its mandatory elements.

The Commercial area was subject to less direct influence of headquarters than Supply Chain. Interviewee C explained that reporting structures, budget processes, and reporting timelines largely follow headquarters' guidelines, particularly through the coordination of Group Controlling. However, internal commercial analysis is highly adapted to the local market and to the needs of the commercial team.

"It is more about the structure of what we want to report and the information we must request than about the information we produce for the commercial area, because we adapt a lot to AC's commercial team. We don't follow a direct IG guideline there." (Interviewee C)

This variation across functions supports Ghoshal and Nohria's (1989) argument that multinational organizations require internal differentiation rather than a uniform control approach across all organizational units and activities. As observed in AC's case, the intensity of headquarters' influence varies according to the nature of each area. It was stronger in areas where comparability and common technical principles were central, such as reporting and

supply chain costing, and weaker where local knowledge and commercial interpretation mattered more.

The findings also suggest that subsidiary autonomy was neither absolute nor equally distributed across all dimensions of management control. AC had limited autonomy over formal group reporting requirements, but greater freedom in internal analysis, interpretation, operational support, and the development of function-specific management information. This differentiated autonomy helps explain why the company could comply with group expectations without perceiving integration as the complete replacement of local control practices.

Beyond the formal requirements themselves, the way in which headquarters exercised its influence also shaped AC's response. Interviewee A described the relationship with headquarters as a relationship of sharing rather than pure imposition. In this view, IG introduces projects, ideas, reporting structures, and best practices. While AC was required to comply with formal group requirements, it retained room to evaluate whether non-mandatory initiatives were relevant to the local context before adopting or adapting them.

"There is a relationship of sharing, but not of imposition. […], it is based on a logic of sharing and choice. If we consider it creates value, we adopt it. If not, we explain our reasoning, and this is understood. It is not mandatory." (Interviewee A)

The case therefore differs from the more coercive configuration identified by Rodrigues et al. (2023), in which strong parent-company influence was associated with limited subsidiary autonomy and greater centralization. In AC, headquarters exercised significant influence, particularly through reporting and standardization, but this did not extend uniformly to local operational decisions or to all dimensions of management control. This suggests that the organizational consequences of headquarters' influence depend not only on its intensity, but also on the form it assumes.

This relational configuration also supported the use of standardized information for local value creation. Interviewee A emphasized that the usefulness of management control depended on cooperation with operational areas:

"We can only do deeper analyses or generate value-creating insights if we have our partners with us, because there is information that only they have. There has to be this partnership where, on the one hand, we maintain control, but on the other, we provide support by giving the different areas the tools they need to become more efficient and improve the way they work." (Interviewee A)

Although this quotation concerns the relationship between management control and internal business areas, it illustrates the organizational capabilities through which local autonomy was exercised. AC combined standardized group information with operational knowledge to develop more detailed analyses and support decision-making. The subsidiary's ability to mobilize formal requirements through internal collaboration contributed to the predominantly adaptive response observed in the case.

Overall, headquarters' influence and subsidiary autonomy should not be understood as opposing forces. IG established a mandatory common framework that supported consistency, comparability, and coordination, while AC retained meaningful discretion over internal processes, interpretation, local analysis, and the adoption of non-mandatory practices. This interaction between formal influence, local autonomy, and a relatively collaborative headquarters posture helped shape the selective adaptation identified in the previous section. AC therefore complied with the group's core requirements without abandoning locally relevant practices.

4.5. Development of Theoretical Framework

Building on the empirical findings and the preceding discussion, the case of AC allows the initial theoretical framework to be refined. The original proposal suggested that integration into a multinational group exerts pressure on the subsidiary's MCS, affecting formal and informal controls and leading to different organizational responses such as alignment, adaptation, resistance, and decoupling. The findings broadly support this processual logic, but they also show that the organizational response cannot be explained solely by the nature of the controls introduced by headquarters. Instead, it emerges from the interaction between post-integration changes, the way headquarters exercises its influence, and the subsidiary's existing organizational capabilities.

The first refinement concerns the relationship between post-integration pressures and changes in MCS. The findings show that post-integration pressures did not simply lead to the replacement of AC's existing MCS, but that group requirements were progressively incorporated into established local routines and interacted with existing practices, supporting the view that MCS change is an evolutionary process (Burns & Scapens, 2000).

The second refinement concerns the organizational response. The empirical evidence demonstrates that AC did not display complete and unchanged alignment with headquarters practices or sustained resistance. Traditional ceremonial decoupling was also not a central response, since headquarters did not require the replacement of local management control practices. Instead, the dominant pattern was one of selective adaptation. Mandatory group requirements were accepted and incorporated, while their local use was supplemented, interpreted, and adjusted according to managerial and operational needs. This is consistent with Ansari et al. (2010), who emphasize that transferred practices are often adjusted to better suit the new environment.

The findings also clarify the role of decoupling. The distinction between group-facing reporting and local managerial analysis primarily reflected different levels and purposes of control rather than a separation between formally adopted structures and actual practices. Headquarters imposed reporting requirements but allowed AC discretion over its local management control practices. However, these levels did not remain separate, since selected group concepts and practices were incorporated into local analysis. The case aligns more with the varied implementation described by Bromley and Powell (2012) rather than the usual ceremonial decoupling suggested by Meyer and Rowan (1977).

The third and most important refinement concerns the factors shaping the organizational response. The case demonstrates that the relationship between post-integration changes and organizational responses is shaped by two groups of factors: headquarters-related and subsidiary-related. Headquarters-related factors included the distinction between mandatory and non-mandatory requirements, the degree of subsidiary autonomy, dialogue, knowledge sharing, and the flexibility with which headquarters exercised its influence. Subsidiary-related factors include prior MCS maturity, established routines,

analytical capabilities, operational knowledge, and business-partnering capabilities. These factors help explain why headquarters pressures produce different responses across subsidiaries, as also suggested by Kostova and Roth (2002), Rodrigues et al. (2023), and Teittinen et al. (2023).

That said, Figure 2 presents a refined framework in which post-integration into a multinational group generates pressures and changes in MCS, and the organizational response to these changes is shaped by both headquarters- and subsidiary-related factors. In AC, the interaction with formal group requirements, local autonomy, and existing subsidiary capabilities resulted in selective adaptation, characterized by compliance with mandatory demands, limited resistance, local supplementation, and the preservation of locally relevant practices. Overall, post-integration MCS development is not simply driven by headquarters. It depends on how corporate requirements interact with local capabilities.

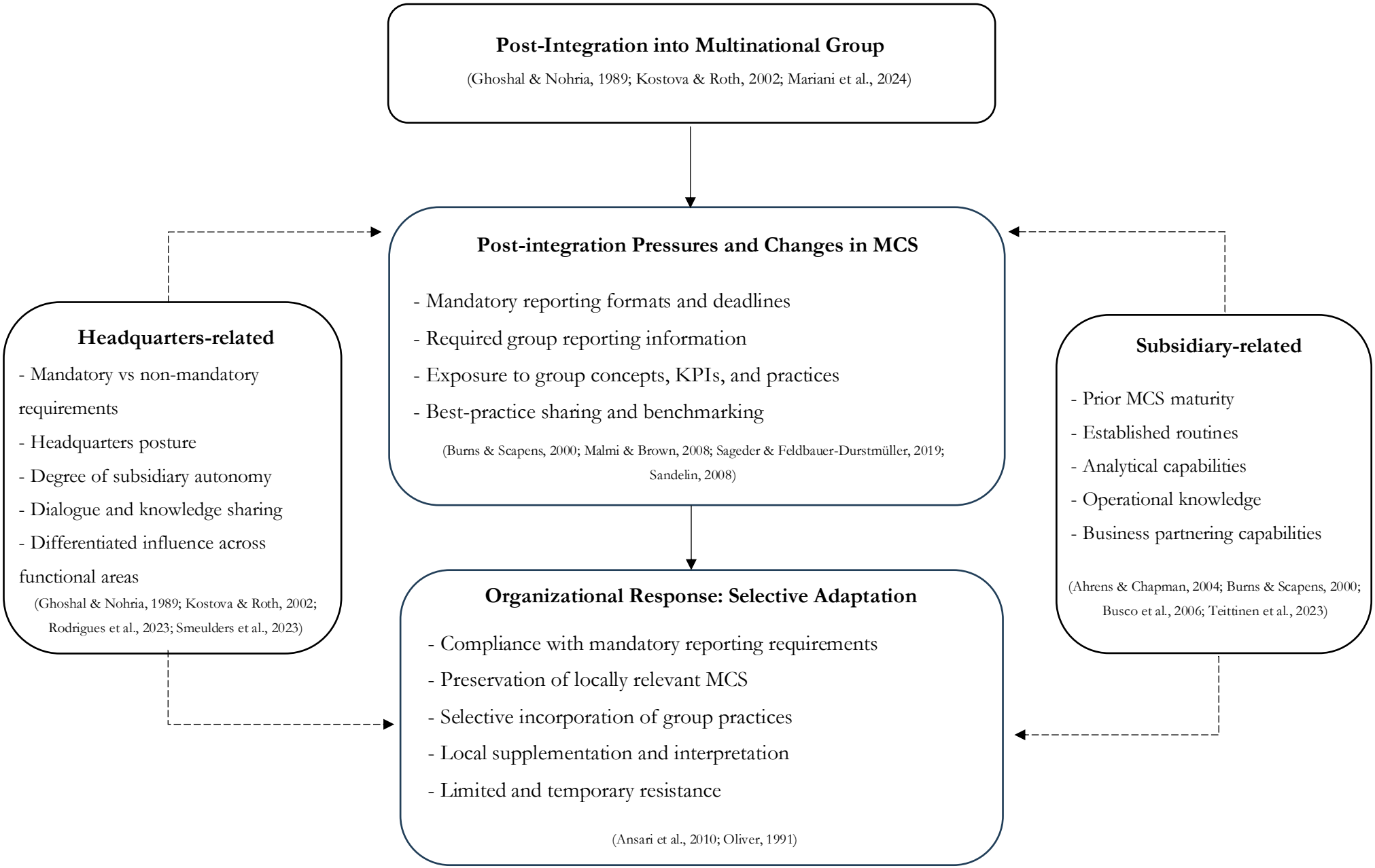


Figure 2 - Updated Theoretical Framework. Source: Own elaboration

Overall, the case reveals two distinct but interconnected levels of management control. Headquarters primarily imposed reporting requirements, while AC retained substantial autonomy over its local management control practices. Therefore, the subsidiary did not simply comply with group reporting while leaving its local systems unchanged. Given its prior MCS maturity, analytical capabilities, and business-partnering structure, AC selectively incorporated some group concepts and customs considered useful and not dispensable for local management. Thus, the interaction between mandatory reporting requirements, a relatively non-coercive headquarters posture, subsidiary autonomy, and existing local capabilities led to a predominantly selective adaptation response. The refined framework emphasizes that post-integration MCS evolution depends not only on the pressures introduced by headquarters but also on how those pressures interact with the subsidiary's characteristics and capabilities.

5. Conclusion

This dissertation aimed to understand how MCS evolve following organizational integration into a multinational group and what responses emerge in practice. Drawing on the literature on MCS change, multinational control, formal and informal controls, and organizational responses, an initial theoretical framework was developed to guide the analysis and subsequently examined through a qualitative single-case study. The study was based on semi-structured interviews with management control professionals and internal organizational documentation, providing an analysis of both the formal changes introduced after integration and the way these changes were interpreted and used locally.

This study revealed that integration into IG contributed to the gradual development of a more standardized, structured, and analytically sophisticated MCS at AC, without eliminating local autonomy. This evolution was visible in reporting structures, performance indicators, budgeting and forecasting processes, costing principles, common managerial terminology, and more detailed performance analysis. The group requirements were progressively incorporated into established routines and combined with local analyses, managerial judgment, operational knowledge, and business partnering. The results also showed that formal controls provided a common basis for coordination and comparability, while local practices remained important for interpreting information and supporting decision-making.

The main organizational response identified throughout the interviews was selective adaptation. AC complied with mandatory group requirements while selectively incorporating broader group concepts and practices into its local management control activities. Although some requirements initially generated pressure or resistance, the evidence did not indicate sustained opposition or traditional ceremonial decoupling. Moreover, organizational responses were shaped by the interaction between headquarters requirements and subsidiary capabilities. Selective standardization, subsidiary autonomy, dialogue, knowledge sharing, existing routines, and local expertise allowed group practices to be adapted and used locally. Thus, strong standardization in core areas can coexist with meaningful local flexibility.

Based on the findings and literature, the initial framework was refined into an updated version showing that post-integration MCS evolution results from the interaction between headquarters pressures, the way influence is exercised, and the subsidiary's existing capabilities. In AC, this interaction led to selective adaptation, reflected in compliance with mandatory requirements, local interpretation and supplementation, and the retention of relevant local practices.

The study contributes to the literature by providing empirical evidence that MCS evolution is an ongoing post-integration process, rather than a one-time implementation of corporate controls. It also shows that standardization does not necessarily eliminate subsidiary autonomy and that differences between group reporting and local managerial use should not automatically be interpreted as decoupling. In detail, the findings highlight the importance of headquarters posture and subsidiary capabilities in explaining why similar corporate requirements may lead to different organizational responses. Therefore, from a managerial perspective, the findings suggest that multinational groups should combine common reporting foundations with sufficient flexibility for local interpretation. They also highlight the importance of business partnering and of controllers who combine analytical skills with communication and operational knowledge.

Despite these contributions, the study presents some limitations. First, it is based on a single organization and primarily reflects the perspectives of four management control professionals from the Planning and Management Control function, which limits the generalizability of the findings beyond the case. Second, the retrospective analysis therefore relies on participants' recollections of past changes. Third, the study does not incorporate the direct perspective of headquarters or of a broader range of operational and senior managers, which could provide additional insight into how the same control mechanisms are interpreted across organizational levels.

Future research could apply the developed framework to subsidiaries operating in different multinational groups, industries, and national contexts to assess whether the relationships identified in this case are also observed elsewhere. Comparative studies would help further examine how differences in headquarters posture, subsidiary autonomy, prior MCS maturity, cultural distance, and local analytical capabilities shape organizational

responses to post-integration control pressures. Longitudinal research would also be valuable for capturing how initial resistance, adaptation, and the embedding of new control practices evolve. By providing a basis for further investigation of these dynamics, this study may contribute to a better understanding of how multinational organizations can achieve greater coordination while preserving locally relevant management control practices.

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Appendices

Appendix 1 – Semi-Structured Interview Guides

Interview general introduction and Consent to Audio Recording

"First, thank you so much for your availability and willingness to participate in this interview. My name is Bianca Soares, and this interview is being conducted exclusively for academic purposes as part of my master's dissertation. Before we begin, I would also like to ask for your permission to audio-record the interview, as it will be used solely to facilitate the subsequent transcription and analysis of the information provided. All information collected will be treated as confidential, and the identity of the participant will remain anonymous throughout the study."

1- Guide for the Head of Management and Senior Management Control professional in group reporting

1. How would you describe the company's integration into the multinational group?
2. What were the main changes introduced after integration, particularly in terms of management control systems, reporting, and governance?
3. How did the management control systems (KPIs, reporting, targets, and performance monitoring mechanisms) change after integration into the group?
4. What new management control tools were introduced to monitor and manage performance?
5. How have these management control systems evolved since integration into the group?
6. Did these changes mainly affect formal management control systems, or did they also influence informal ways of working?
7. How would you describe the relationship with headquarters in terms of management control and decision-making?
8. What types of requirements or expectations do headquarters impose regarding management control systems, targets, and reporting?
9. To what extent are these management control practices standardized across subsidiaries, and do they fit the local context?

10. How do internal factors, such as culture, routines, and people, influence how management control systems are used in practice?
11. What challenges emerged when implementing these management control systems after integration?
12. In practice, are management control systems used as originally designed, or are they adapted? Can you give examples?
13. In day-to-day decision-making, do managers rely more on formal management control tools (reports, KPIs) or on experience and informal sources?
14. Do different departments use management control systems differently?
15. How would you describe the organization's overall response to the control systems imposed by the multinational group after integration? Can you give examples?
16. Do you think there are differences between what is formally reported through management control systems and what actually happens in practice?

2- Guide for BP Supply Chain

1. How did the integration into the multinational group affect the supply chain function in terms of management control and performance monitoring?
2. What were the main changes in planning, reporting, and management control systems after integration?
3. What new management control mechanisms were introduced?
4. How have these management control systems evolved since integration?
5. What types of management control requirements do headquarters impose on the supply chain?
6. To what extent are these management control systems standardized across countries, and do they fit the local operational context?
7. In practice, do managers rely more on formal management control tools or on experience and informal coordination?
8. Are there situations where informal practices override formal management control systems?
9. Are these management control systems used as originally designed, or are they adapted in practice? Can you give examples?

10. How does the supply chain team interpret and work with the management control systems imposed by headquarters?
11. Overall, how would you describe the supply chain's response to these management control systems?
12. Can you identify situations of full adoption and others where adaptation of management control systems was necessary?
13. Are there gaps between what is formally reported through management control systems and what actually happens operationally?
14. What are the main challenges of managing management control systems in the supply chain within a multinational group?
15. If you could redesign this management control system, what would you change?

3- Guide for BP Commercial

1. How did integration into the multinational group affect the commercial function in terms of management control systems, sales, pricing, and target settings?
2. What changes were introduced in management control systems, particularly in performance measurement, sales targets, and reporting systems, after integration?
3. What new management control tools or KPIs are now used to monitor and manage commercial performance?
4. How have these management control systems evolved since integration?
5. How do headquarters influence commercial decisions through management control systems? Do you think these systems are adapted to the local market?
6. How do local market realities influence how these management control systems are applied?
7. In practice, do managers rely more on formal management control tools (such as KPIs) or on experience and judgment?
8. Are these management control systems used strictly as defined, or are they interpreted and adapted in practice? Can you give an example?
9. How does the commercial team respond to and interpret the targets defined through management control systems?
10. Would you describe the commercial function as mostly aligning with headquarters' management control systems or adapting them to local needs?

11. Are there differences between what is formally reported through management control systems and what actually happens in practice?

12. How do employees react to the pressure associated with management control systems and performance targets?

13. Do different teams or regions use management control systems differently?

14. What are the main challenges of using management control systems in the commercial area within a multinational group?

15. Do these management control systems support performance, or do they sometimes create limitations? Why?

Appendix 2 – Declaration of Authenticity

I, Bianca Oliveira Soares, declare that this academic work, entitled "The Evolution of Management Control Systems Following Organizational Integration into a Multinational Group – A Qualitative Case Study", is original and was carried out by me in accordance with the following academic and ethical standards:

Originality: The ideas, analyses, and conclusions presented are the result of my own work and have not been copied from other sources without proper citation.

References: All sources of information used have been correctly referenced in accordance with current citation standards.

Generative Artificial Intelligence: The use of Generative Artificial Intelligence tools, where applicable, was done in a responsible, ethical, critical, and non-abusive manner.

Signature: Assinado por: Bianca Oliveira Soares
Num. de Identificação: BI15168612
Data: 03-09-2026 18:04:01 +01:00

CHAVE MÓVEL

Date: 03/09/2026