



UNIVERSITY OF ALMERÍA

Master in International Business Management and Modern Languages

**MANAGEMENT CONTROL PROCESS INTRODUCTION AND ITS REFLECTION
IN VIETNAM AND SPAIN BUSINESS ENTITIES.**



Author: Truong Thi Huyen Huong

Supervisor: Luis Fernández Revuelta

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Abstract

This document has an objective of giving an introduction of Management Control Process to the audiences. By analyzing six components included in the Management Control Process, it gives the readers a clearer and deeper understanding of Management Control Process and its impact to business operations. Meanwhile, by comparing Vietnam and Spain societies, this document also guides readers to a view of how Management Control Process works in Vietnam and Spain business entities.

Key words

Management control, business operation, control environment, Vietnam, Spain.

Resumen

Este documento tiene el objetivo de dar una introducción del Proceso de Gestión a las audiencias. Mediante el análisis de los seis componentes que se incluyen en el proceso de la gestión, se ofrece a los lectores una comprensión más clara y profunda de la gestión y su impacto en las operaciones de negocio. Mientras tanto, mediante la comparación de las sociedades de Vietnam y España, este documento también da a los lectores una visión de cómo funciona el proceso de gestión .en las entidades comerciales de Vietnam y España.

Palabras claves

Proceso de gestión, operación de negocio, ambiente de control, Vietnam, España.

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1 MANAGEMENT CONTROL PROCESS OVERVIEW

1.1 Definition

Management is the "process of using organization resources to achieve organizational objectives through the functions of planning, organizing and staffing, leading and controlling" (DuBrin, 2009)

Control is well thought-out as one of the most important management function. It is defined as "keeping things on track" (Merchant, 1985, p.1), and control is recognized as "the final function in the management process" (Merchant, 1985)

Another saying, MC is how senior managers use to design and implement the actual management systems which are used to plan and control the entity's performance. Simple understanding, Management Control is a method you use to make sure that the organization is following the way you want it to follow.

Management Control Process, as its name says it all, is a process, not a single action. And this process is included by many means "which senior management (1) influences behavior and guides organization toward achieving its mission, (2) assures that the organization is progressing satisfactorily toward that mission, and (3) assures that the mission is still the preferred one to pursue" (Harvard Business, 2005)

"The design and implementation of an entity's management control process are driven by the entity's mission, the entity's business strategy, management's perception of the behavior required to implement that strategy, the management's beliefs about human behavior and the entity's need for a process to assure strategy renewal in response to new strategic opportunities, risks, and uncertainties" (David F. Hawkins, Harvard Business School)

Entity's mission, Business Strategy?

The mission of an entity is objective that entity wants to achieve. Simple saying, the mission of an entity is the answer for the question "why does it exist?"

Business strategy is a plan that an entity takes action to achieve its mission. Mission and strategy, therefore, has a mutual relationship. Strategies bring the entity into a manner toward the mission.

An example of entity's mission and its business strategy:

VIETTEL - A state-owned Vietnamese group specialized in tele-communication services, in charged by Ministry of Military and Ministry of Information and Communication.



Slogan: Say it your way.

Year of foundation: 2009

Capital: 100% stated capital of 50,000 billion VND (equivalent 2 billion euros)

Mission: Caring Innovator. Bring innovation to the people. Become the major tele-communication network provider in Vietnam (www.viettel.com.vn)

At the time Viettel was found, there were only 2 exclusive mobile providers in Vietnam (Vinaphone and Mobiphone) that held 100% share of the national mobile service market. Recognizing itself as a "late born" entity, Viettel has focused on low price + good customer service strategies aiming to low-middle class to become the cheapest mobile network provider in Vietnam from the time it was established until now. In 2013, Viettel has become the biggest tele-communication service provider in Vietnam with more than 60 million users internationally; in which 27 millions users are students. It also provides tele-communication services in Laos, Cambodia, Haiti, Peru, and Mozambique. Viettel also is the first provider in Vietnam that brought to its costumers services of 3G, 4G, USB3G...

According to Wireless Intelligence report in 2012, Viettel is the mobile network service which has the fastest growth in the world.

In the example of Viettel, we could see the business strategy of providing reasonable price service of Viettel has made it fulfill the mission to become to the major provider of tele-communication in Vietnam.

MCP has 6 components which have influences in the whole process (discuss later). They are:

- 1. Management control environment**
- 2. Organization structure and responsibilities**
- 3. Information and communication**
- 4. Management control systems**
- 5. Incentives**
- 6. Monitoring**

Depends on particular entity, those 6 components have bigger or small influences in the total process. But in general, those 6 factors work together to create a complete management control process with the aim of achieving the entity's mission. We don't take any component is more or less important. We simply consider it as a chain working in a management chain process.

1.2 Why we need Control? What could happen if lack of control?

Severe issues could happen without or lack of effective management control process are frauds and dishonesty.

In every organization no matter they are NGOs, private/public companies or government entities, everywhere in the world, no matter Spain or Vietnam, frauds and their severe consequences may happen without efficiency of management control. Senior managers are required not only know how to operate a business, but also know how to control it.

Recently in Spain, according to BBC news, the beleaguered government of Mariano Rajoy has been embarrassed by revelations that its party's former treasurer Barcenas had a bank account in Switzerland containing up to €22 million. In an official oral statement, Mr. Rajoy admitted "I was wrong maintaining trust in

someone who doesn't deserve it". This massive fraud of Popular Party has faced with its severe consequences: Rajoy is forced to resign, loss of prestige of the Party as well as the anger of the Spanish people.

Frauds happen everywhere, two years ago in Vietnam : VINASHIN (Vietnam Shipbuilding Industry Group) was known as one of the biggest business bankruptcies of State Groups in Vietnam which was folded under a debt burden of \$4.5 billion in 2010. Along with Vinashin scandal, bigger consequences must be counted like : belief of the Vietnam people in Communist Party decreased, business optimism declined from 34% optimistic at the end of 2011 to 6% so far in 2013; foreign capital is flowing into Vietnam with nearly \$1 billion invested into the Vietnamese stock market so far, but some analysts fear large foreign funds may close this year due to Vinashin scandal, causing the Vietnam markets to collapse.

Ho Chi Minh, the first president of Vietnam Socialist Republic once said "To gain independence is not difficult. To maintain it is difficult". Hence, senior managers who are fully conscious of the importance of Control, meanwhile implement effective methods of controlling would be less likely to encounter problems caused by lack of management control.

2 MANAGEMENT CONTROL PROCESS COMPONENTS ANALYSIS AND ITS REFLECTION IN VIETNAM AND SPAIN BUSINESS ENTITIES.

2.1 Something about Vietnam and Spain

Vietnam and Spain: Two different countries in two different continents, 18 hours in plane away from each other, with very little things in common of history, culture, lifestyle etc. has made its business style in general and business management control in particular a bit different.

Below are some of the main facts about Vietnam and Spain.

VIETNAM



Full name: Socialist Republic of Vietnam

Population: 89.7 million (UN, 2012)

Capital: Hanoi

Area: 329,247 sq km (127,123 sq miles)

Major language: Vietnamese

Major religion: Buddhism

Main exports: Petroleum, rice, coffee, clothing, fish

GNI per capita: US \$1,270 (World Bank, 2011)

SPAIN



Full name: Kingdom of Spain

Population: 46.7 million (UN 2012)

Capital: Madrid

Area: 505,988 sq km (195,363 sq miles)

Major languages: Spanish (Castilian), Catalan and its variant Valencian, Gallego (Galician), Euskera (Basque)

Major religion: Christianity

Main exports: Transport equipment, agricultural products

GNI per capita: US \$30,930 (World Bank, 2011)

Business Structural: 99,99% is SMEs, only 0,01% is Large Companies (Eurostat Organizational Business Structural)

2.2 Management Control Process components analysis and its impact.

2.2.1 Management control environment

1 Definition

The Management Control Environment component is the major responsibilities of the senior manager with an aim of setting the tone for the implementation of the management control process. They must by words and deeds create and nourish an entity culture that supports the enhances the Management Control Process. This component is the general overview of a company in related to Management Control Process. To achieve a good Management Control environment, a senior

manager has to "create an organization that understands its Management control process and accepts it as being both empowering and necessary" (David F. Hawkins, Harvard Business School 2005)

In Management control environment, there are many factors influenced, in which Culture is considered one of the most important. Senior managers are the person who decides which control environment would suit best for the entity to make sure the Management Control Process would be implemented adequately and effectively.

Among factors that play important roles in Management control environment, culture is one of the most decisive one. Referring to culture and how its dimensions influence to MC environment, Professor Geert Hofstede after years of searching, has presented one of the most comprehensive studies of how values in the workplace are influenced by culture "by analyzing a huge data in more than 70 countries basing on studies scored by IBM between 1967 and 1973, which included commercial pilots in 23 countries, civil service managers in 14 countries, "up-market" consumers in 15 countries and "elites" in 19 countries".

In the 2010 edition of the book "Cultures and Organizations: Software of the Mind", scores on the dimensions are listed for 76 countries, partly based on replications and extensions of the IBM study on different international populations." (www.geert-hofstede.com)

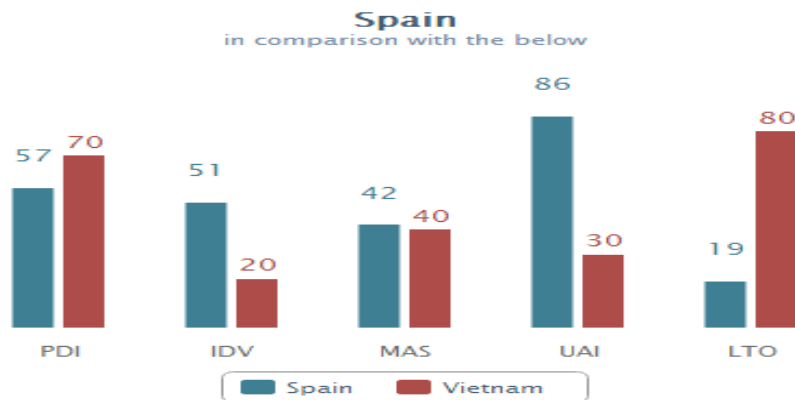
2 Dimensions of National Culture

There are total 5 grouped clusters, in which 4 grouped clusters that distinguish countries from others and those groups have been world-wide known as Hofstede dimensions of national culture. The fifth dimension was added in 1991 by Michael Bond:

1. Power Distance (PDI)
2. Individualism versus Collectivism (IDV)
3. Masculinity versus Femininity (MAS)
4. Uncertainty Avoidance (UAI)

5. Long-term Orientation (LTO)

According to Hofstede official website at <http://geert-hofstede.com/>, dimensions cultural scores about Vietnam and Spain are conducted as following



Power distance

Spain - **Vietnam: 57-70**

This dimension explains most about the hierarchical distance in workplace, with a sense that everybody is not equal, and also explains the attitude of the culture towards those inequalities among people. Power distance is defined as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally".

In comparison with Vietnam's score 70, Spain's got 57, which reflects difference in hierarchical distance in each country culture workplace.

In Spain, people accept hierarchy and senior managers that hold higher level positions are supposed to have privileges than others. Therefore, management controls in Spain are described as "the boss requires information from his subordinates and these expect their boss to control them. A lack of interest towards a subordinate would mean this one is not relevant in the Organization. At the same time, this would make the employee feel unmotivated". Moreover, negative feedbacks are also considered abnormal for the employees, this requires

managers to be more conscious of the situation to find out the real problems and avoid being relevant.

In Vietnam, this dimension is seen clearer with the score of 70/100. People tend to accept a hierarchical order, in which everybody in their position has their own responsibilities and normally people at lower positions do things what they are told without further justification. Hierarchy in entities is seen as inequalities and is more popular at centralization organizations. In Asia, hierarchy is more common than in Europe or USA for their traditional principles.

Individualism

Spain - Vietnam: 51-20

According to Professor Hofstede, "the fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members". It has to do with whether people's self-image is defined in terms of "I" or "We".

In Individualist societies, people tend to just look after themselves and their own family. In contrast, in collectivist societies people are supposed to live in "groups" where they do not only take care of themselves but also of the people around such as families, relatives and people related. In Collectivist societies, people are seen to have more responsibilities than people in Individualist societies.

With the score of 51, in comparison with other European countries, Spain is considered Collectivist, but compared with other countries in the world it is seen as Individualist. Teamwork spirit in Spain is also considered something natural, therefore, below the view of Management, employees are supposed to work without great concern of strong motivation from high level managers.

Vietnam, with a score of 20 is a totally collectivistic society, it is also the typical collectivist society normally seen in Asia. In Collectivist societies, responsibilities, loyalty and pride are the most important things. Everyone takes responsibilities for people in the same "group", their actions are based on self-pride and self-image according to social rules which are set up along the historical development. In collectivistic societies, offence leads to shame and "loss of face".

Employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion take account of the employee's in-group. Management is the management of groups.

Masculinity / Femininity

Spain-Vietnam: 42-40

A high score (masculine) on this dimension implies that the society's values are based by competition, achievement, success in which success is defined as the winner – a value system that starts in school and continues throughout organizational behavior.

A low score (feminine) on this dimension implies that the society's values are caring for others and quality of life. A feminine society is one where competition nor achievements are not highly valued but the quality of life is the sign of success and standing out from the crowd is not well-received. "The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine)."

In this dimension, Spain and Vietnam has more or less the same score. Two both societies are considered feminine societies, where people live in harmony, they value equality, solidarity and life qualities. Harsh competition or standing out is not appreciated. In feminine societies, there is also a great concern for weak or needy people that generate a natural current of sympathy.

Regarding management, managers like to consult their subordinates to know their opinions and, according to it, make their decisions; conflicts are favorably solved in peace by negotiation and compromise.

Therefore, an effective manager in these societies is a supportive one, and decision making is achieved through involvement.

Uncertainty avoidance

Spain-Vietnam: 86-30

The dimension Uncertainty Avoidance explains if a society deals with the fact that "the future can never be known: should we try to control the future or just let it happen?" Different cultures deal with this anxiety in different ways.

In this dimension, Spain and Vietnam have the totally different view. We can say that this dimension defines Spain most clearly. With a very high score, Spain is considered the country where people tend to have rules for everything to avoid uncertainties; they are also obliged to avoid rules and laws that may bring life more complex. Spain people have great concern for changing, ambiguous and unsure situations. According to a very recent survey in Spain, 75% of the young people want to work in civil service that guarantee a job for life and no worries for the future, whereas in the USA only 17% of young people would like it.

Vietnam is different from Spain, with the score of 30 on this dimension proving this country has a low preference for avoiding uncertainty. According to Hofstede, "Low UAI societies maintain a more relaxed attitude in which practice counts more than principles and deviance from the norm is more easily tolerated". In Vietnam, people believe that there should be no more rules than are necessary and if they are ambiguous or do not work they should be abandoned or changed. Schedules are flexible, hard work is undertaken when necessary but not for its own sake, precision and punctuality do not come naturally, innovation is not seen as threatening.

In Vietnam business entities where people are more flexible with changes, management is also more flexible to adapt with employees. In Spain workplace, management should be set up in frame of rules and laws that ensure employees' consciousness.

Long term orientation

Spain-Vietnam: 19-80

This dimension is added to Hofstede culture dimension in 1991 by Michael Bond after gathering a huge data from employees in China. The long term orientation

dimension is closely related to the teachings of Confucius (-551–479 BC) and can be interpreted as "dealing with society's search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view".

Spanish people are not the people living with a great concern about the future. People tend to enjoy the moments; they also look for quick results without delays. Moreover, there is a need for clear structures and well defined rules prevailing against more pragmatic and relaxed approaches to life, particularly, in the long term time.

Vietnam, once again, is totally different compared with Spain with the score of 80, making it a long term orientation culture. Societies with a long-term orientation show "an ability to adapt traditions to a modern context i.e. pragmatism, a strong propensity to save and invest, thriftiness, perseverance in achieving results and an overriding concern for respecting the demands of Virtue". This kind of society is typically found in South East Asia and the Far East.

According to 5 cultural dimensions, we can partially imagine how they influence business environment under management control's point of view. Doing business in different areas of a country may be different, in two countries are more different, especially when Spain and Vietnam has hardly nothing in common. Effective managers should be fully aware of those cultural factors in order to implement adequate management control methods.

2.2.2 Organization structure and responsibilities

The organization structure and responsibilities are defined as "the way the organization is structured and responsibilities assigned in achieve the entity's mission" (David Hawkins, Harvard Business School 2005).

Typically there are 3 decisions that involve in the organization structure and responsibilities designing: (1) the level of decentralization, which means the degree to which employees below the level of senior management will be empowered, (2)

the decision rights that will be delegated and (3) the organization structure that best suited to facilitate these decisions.

1 Centralization and Decentralization

An organization structure could be divided into 2 types: Centralized organizations and decentralized organizations.

Decentralization is the freedom for managers at low levels of an entity to make decisions.

Autonomy is the degree of freedom to make decisions. More freedom is given, greater the autonomy.

A decentralized entity permits managers, key employees below senior managers to have power on making decisions and at the same time pursue course of actions based on those decisions. Hence, to ensure responsible decisions, "decision makers" are required to hold accountable for their actions. We can easily encounter decentralization in big entities, where require organizational and managerial flexibility as well as quick response for market to survive and develop to succeed.

A centralized entity is normally seen in micro organizations or in certain entities such as operating a nuclear power plant where safety is prior concern or in a casino where cash protection is major challenge.

The choice of organizational structure depends on many factors: the entity's mission, business strategy, business style, human and capital resources, markets, information capabilities and also its span of operation. Hereby we have a summary table of main factors that have an influence on deciding organizational structure:

Factor	Centralization → Decentralization
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<i>Age of entity</i>	
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<i>Size</i>	
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<i>Stage of product development</i>	
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<i>Growth rate</i>	
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<i>Impact on profits of incorrect decisions</i>	
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<i>Management's confidence in subordinates</i>	
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Degree of control

Nowadays we could easily find decentralization in medium/big companies. The advantages of decentralizations are many, such as:

- Speed and quality of decision making
- Improve growth
- Realistic excellent training for decision makers including managers at different levels
- Profit consciousness
- Competitive performance between entities
- Innovative

However, besides those advantages, decentralization also expresses its own disadvantages:

- Increase risks for lack of control and quality reduction
- Increases in friction: for example transfer pricing is one of the outstanding issue in this friction
- Cause competition between units of an entity
- Additional costs
- Short run profitability focus
- Sub-optimizing profits

Clearly, decentralization brings many advantages. However, the big question is, in decentralized entities, how could senior managers guarantee that managers at lower level are making right and responsible decisions that 100% based on company's sake ?

One of the most effective way to avoid problems is to operate through a centralized organization. Accountabilities and the setting of boundaries are the key to resolving the decentralization issues.

2 RESPONSIBILITY CENTERS

A responsible center is an organizational unit headed by a manager and this unit is responsible for its activities and results .A responsibility center exists to accomplish one or more purposes and these purposes are its objectives. According to Jordan

H.Neves "an organization unit can be considered a responsibility center if it has a manager, its own objectives guiding its activities and the manager has the control over the resources needed to pursue the objectives" (Controlo de Gestao,Lisbon,2005)

This figure shows nature of a Responsibility Center (*Harvard Business School, 2005*)



As seen in the figure above, responsibility centers use inputs, which could be physically quantities of materials, hours of various types of labor, a variety of services. It works with these resources, and usually requires working capital or other assets to produce outputs, which could be goods (if tangible) or services (intangible).An important thing is those outputs are usually consistent with the responsibility center's objectives. However, this may not always happen. For example a manufacturing center's objective is producing 200 units for an hour, but the reality is it has produced 250 units. Hence, whatever a responsibility center produces, good or bad, desired or unwanted, constitutes its outputs.

According to John Dearden in "Note in management control systems": The outputs of a responsibility center may be considered as inputs of another responsibility center inside the entity, or may the outputs of the whole process of the organization.

2.1 Four Categories

Each center is defined by the nature of the manager's responsibility for the center's monetary input and/or output that are measured. Responsibility centers fall into 4 categories. They are:

1. Revenue center
2. Cost center
3. Profit center
4. Investment center

1. Revenue center

A revenue center is an organizational unit where manager is held primarily responsible for its revenues (outputs). The mission of the manager is to maximize the revenue of the entity.

Revenue center could be recognized by selling products to outside costumers, or in another way, by transferring products inside the entity to another responsibility center by putting a monetary value which is called transfer price.

Transfer price is calculated by the additional outlay cost per unit incurred because goods are transfer + opportunity cost per unit. The transfer price is a cost to the transferee and a revenue source to the transferor.

There are 3 transfer pricing methods:

- Market-based method
- Cost-based method
- Negotiated transfer prices

The ideal transfer price is the price that allows the manager of each responsibility center make the maximize of the company's profit, at the same time maximize his/her division's profit

In entities, revenue centers are normally known as sales units and they don't have authority to set selling prices.

2. Cost center

A cost center is a unit where the manager is responsible for the cost (inputs) but not revenues (outputs) and his/her mission is to minimize the cost. In companies, Manufacturing and R&D are typically managed as cost centers.

There are 2 types of cost centers:

A. Engineered (refers to an amount that could be estimated)

Engineered expensed center has the following characteristics:

- Input could be measured in monetary terms
- Output could be measured in physical terms
- Optimum input/output

B. Discretionary, which in contrast, the estimation is feasible

Typical examples of discretionary centers are Administration/Support units, R&D, Marketing activities.

There are 2 outlined characteristics of discretionary centers which are:

- The difference between budget and actual expense is not a measure for efficiency (profitability)
- Level of discretionary costs is always subject to change.

3. Profit center

A profit center is a responsibility center whose performance is measured by profit, which is the difference between revenues and costs, calculated by outputs minus inputs. A stand- alone business is a typically managed as a profit center.

In profit centers they intend to delegate more authority.

According to Fortune 1000, 93% or more of entities are profit centers.

Typical methods to measure profitability of one profit center are:

- Contribution margin
- Controllable profit
- Income before taxes
- Net income

4. Investment center

An investment center is a unit where the manager is held responsible for the use of its asset (including capital and asset) as well as its profit. An investment center is the highest level of decentralization where the manager is supposed to earn a specified ROI (return on net investment)

Characteristics to recognize an investment center are:

- It is the maximum level of decentralization
- All the decision makings are based on investments
- It is the creation of divisional organizations

- It is responsible for both profits and profitability, which is usually measured by ROI (Return on Investment)

2.2.3 Information and Communication

"The information and communication component consists of the flow within the entity of information relevant to the management control process." (Harvard Business School 2005)

In decentralized organizations, information and communication of information play an important role. In fact, all level of management, from highest level like senior managers to lower level, needs information for planning and evaluation purposes

As a matter of fact, there are three important information systems that play a significant information role in the Management Control Process. They are:

1. Financial Accounting Systems
2. Cost Accounting Systems
3. Responsibility accounting systems

1. Financial Accounting Systems

"Financial accounting systems focus on the measurement and financial consequences of the economic activities of the whole entity and its major operating segments" (David K. Hawkins, Harvard Business School Publishing 1992)

Financial reports are based on generally accepted accounting principles, and those principles are set by the Financial Accounting Standard Board. The financial reports are used as an important information source for senior managers and parties external have a review then monitor the economic performance of the entity and its major operating segments.

2. Cost Accounting Systems

"Cost accounting systems recognize, measure, record, and report cost and associated nonfinancial information related to a company's activities, products, services, processes, and functions. Cost is a measurement in money terms of resources used for some purpose" (Lenter Davidson, Management Control Accounting, 2004)

Cost accounting systems are used as a significant source of information for both financial accounting and responsibility accounting systems. For example the outputs of cost systems are used to calculate inventories and cost of goods sold in financial reports.

Management uses the output of cost systems for many purposes such as budgeting, forecasting, performance evaluation, product-process improvement studies etc. as well as many other operating decisions.

3. Responsibility accounting systems

“Responsibility accounting systems generate financial and related nonfinancial information about the actual and planned activities of a company's responsibility centers (i.e. its revenues, cost, profit and investment centers).” (James Hunskeni, Introduction to Responsibility accounting systems, no.105-009, Harvard Business School Publishing, 2004).

There are two major uses of outputs of responsibility accounting systems: first, is to report of a responsibility's historical performance, and second, based on that performance, provide senior managers information about the planned activities (which are normally in form of budgets and profit plans). Budget and profit plans provide a means for top managers control decentralized organizations in reviewing and approving plans before they are undertaken. They also help top managers in performance evaluation of responsibility center managers.

2.2.4 Management control systems

1. Levers of Control

The management control systems components include 4 specific control systems and they have been labeled as the "levers of control" as following:

1. Diagnostic control systems
2. Belief Systems
3. Boundary Systems

4. Interactive control systems

The map below expresses the "levers of Control":



Source: Robert Simons, "Control in an Age of Empowerment", Harvard Business Review 1995

1. Diagnostic control systems

Diagnostic control systems are used by senior managers with 2 objectives:

- To monitor critical performance variables of managers and employees. Critical performance variables are the things that managers and employees must do well in their assigned tasks in order to achieve the entity's mission.
- To direct the attention of managers to implement effectively and efficiently the appropriate critical performance variables.

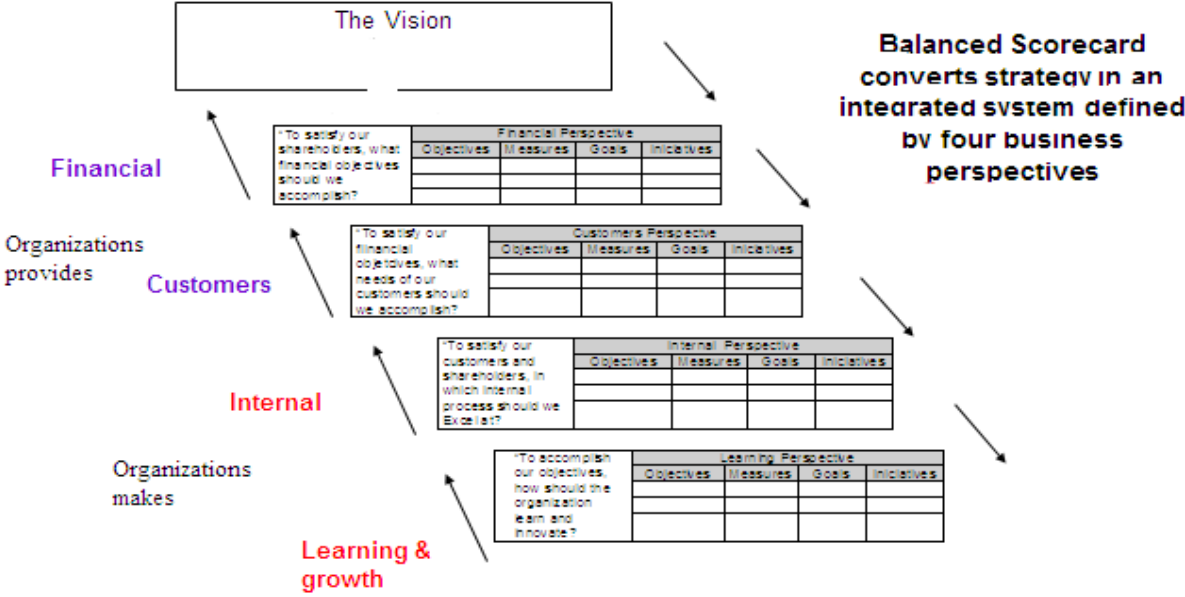
Diagnostic control system may include management tools such as budgets, profit plans, variance or project reports. Those tools are used by senior managers and they have the common characteristic of holding employees accountable for their actions.

In the end, diagnostic control systems have the final objectives of achieving goals in the future. This system could be seen most clearly through Balanced Scorecard tool.

The Balanced Scorecard is a structure that helps the organization to convert the strategy into operational objectives, managing behavior and performance. Main benefits of the Balanced Scorecard are to clarify the vision, obtain consensus and leadership, align the organization, integrating the strategic planning, directing the resources assignment, and improve the efficiency of the management. However, to guarantee the ideal Balanced Scorecard to be implemented is difficult. It requires time, collaboration of information from low to high levels etc.

Balanced Scorecard is created based on four business perspectives: Learning & Growth, Internal, Customers, and Financial. In each perspective, the entity has their own objectives adequate; meanwhile implement the adequate measures, targets and initiatives.

Balanced Scorecard Perspectives

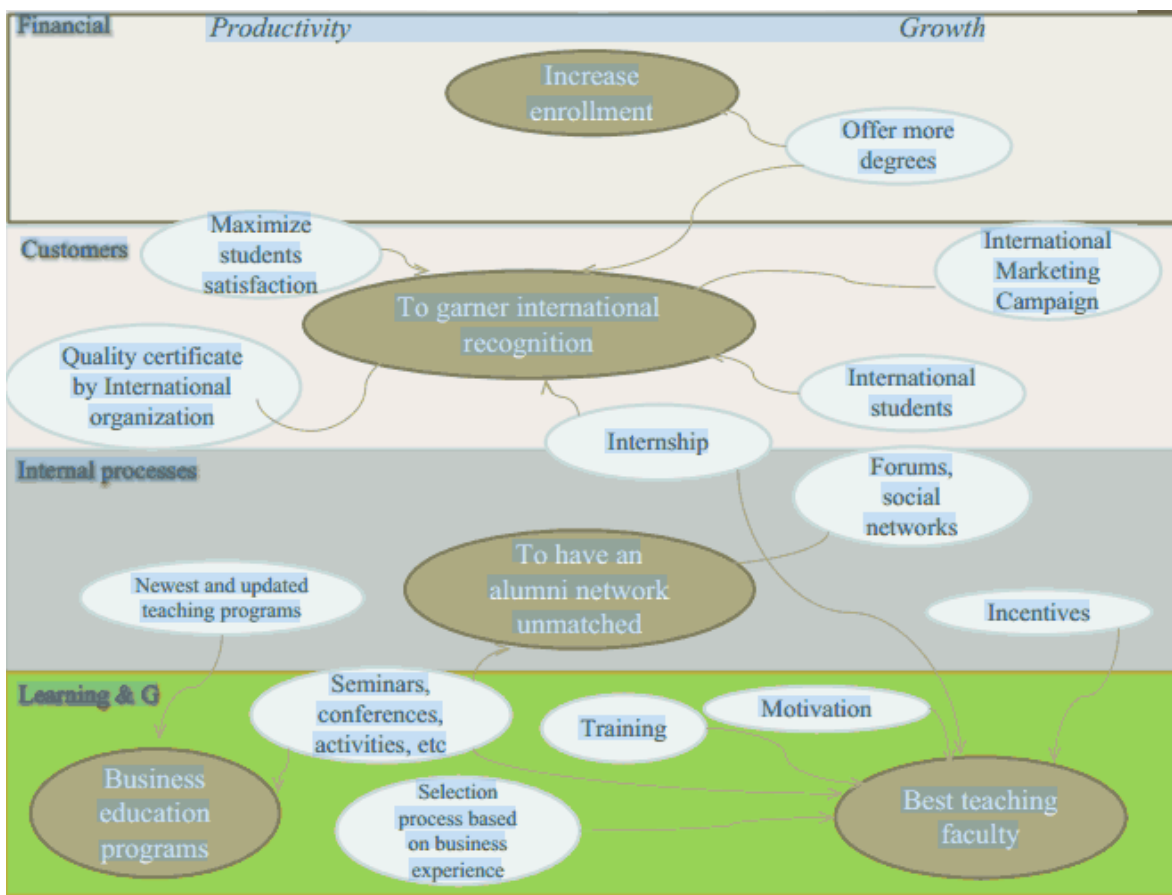


Below is an example of a Balances Scorecard (*Harvard Business Cases Study 2004*).

A business school has the objective of increasing enrollment in the next school year. The Faculty has decided and agreed goals of the school to obtain the above objective are:

- To have the best teaching faculty
- To have the active alumni network
- To have the best graduate business program in Europe
- To have the wide public recognition

Therefore, the school has created the Balanced Scorecard based on those goals as below:



As seen in the Balanced Scorecard above, we can see the relationship between objectives, measure, targets and initiatives. For example, to achieve the final financial objective of increasing enrollment, the entity has to identify their three lower objectives which are: to improve business program (Learning & Growth), to have an outstanding alumni network (Internal), to gather public recognition

(Customers). And to obtain those four objectives, the business school has to implement their own measures, targets and initiatives for each objective. This Balanced Scorecard could be interpreted as the table below:

	Objectives	Measure	Targets	Initiative
Financial	Increase enrollment	Make annual report vs previous year (Turnover)	5-7% annual increase amount of students	Talented students rewards
Costumers	To garner international recognition	International ranking	Top 10 in best business schools in the world Preferable selections of big firms.	Marketing actions Improve relationships between business schools
Internal business	To have an alumni network unmatched	Ratio= Alumni belonging to the group/Total of alumni	At least 70% of alumni participate in the network.	Events and colaborative activities
Learning & Growth	Business education program	Teachers and students survey	Top 10 in the ranking of the best institutions of business	Invest in newest and updated teaching programs

Diagnostic control systems are very effective monitoring devices. However, this system sometimes can cause overzealous or actions that employees try to maximize the achievement of the critical performance. These maximizing actions may endanger entity's mission. However, to defeat against this possibility, others management control systems are implemented, in particular we will discuss below are Belief Systems and Boundary Systems.

2. Belief Systems

Belief systems are established to communicate the entity's core values and mission to employees. The main objective of belief systems is to remove uncertainties of employees about the entity's mission and at the same time indicate how the employees are supposed to manage internal and external relationships. Afterwards, those systems also inspire employees to pursue new opportunities to create values for the company.

Japanese government is one of the biggest nations that sponsor ODA (Official Development Assistance) to Vietnam, which has created many opportunities as well as advantages for Japanese companies to invest and do business in Vietnam. There are about 2,000 Japanese companies now investing in Vietnam with total capital up to 2,5 USD billions. Although having many things in common, the way of doing business of Japanese people may be a little different from the Vietnamese partners. Japanese business people tend to have meetings outside the office. They like going for lunch/dinner/karaoke outside with partners to discuss business. Sometimes, contracts between two long-time partners could be signed after lunch in a restaurant. Vietnamese people, a little different, prefer discussing and negotiation in offices.

The belief systems of a Vietnamese External Relations Officer is to "keep warm and develop relationships between the entity and client", whose success depends on satisfaction of clients to the customer services. Therefore, behavior guidance of the External Relations Officer may include "understand client's culture of doing business", "the customer is always right", "what customer wants is what we do". Therefore, the Vietnamese officer is supposed to do business in a way that his/her Japanese clients prefer and make them feel most comfortable.

Belief systems may come in many forms, from the mission statements, vision statements to credos. However, the common sense of those statements is that "they communicate the entity's vision and core beliefs as well as seek to energize value-creating behavior" (Harvard Business Publishing 2005).

Belief systems are powerful approach to make sure that employees commit to the entity's mission, at the same time provide patterns of acceptable behavior to employees. However, there are actions that misguided employees perceive as

beneficial but in the end endanger the entity. To prevent those misguided actions, boundary systems are created.

3. Boundary Systems

In contrast with belief systems, boundary systems indicates actions and risks that employees must avoid, or another saying, boundary systems "dictate what employees should not do" (International Management Accounting Thesis, Mackenzie Publishing 2001).

Boundary systems establish boundaries that "employees must not cross as they seek to exploit their empowerment to innovate, take risks and act for the good of the entity" (International Management Accounting Thesis, Mackenzie Publishing 2001). Therefore, normally, boundaries systems are stated in negative forms. For example, in an independent audit entity conducting financial reports for both internal and external parties, whose success depends on the explicitness of auditors, boundary systems are conducted ". No interfere into client's economic situation", "Auditors are not allowed to audit for companies where the auditors are shareholders or have economic-financial relations".

Boundary systems may come in many forms, mainly are known as "codes of conduct" and "operating guidelines". The common sense of those forms is proscribing certain types of behavior, in which they also dictate punishment for actions that exceed the limits of acceptable behaviors.

4. Interactive Control Systems

Interactive control systems "include those control systems that senior managers use to get involved in the decisions of subordinates with the objective of learning about new strategic opportunities, risks, and uncertainties that may require a timely shift in the entity's strategy"(David F. Hawkins, Harvard Business School, 2005).

In Interactive Control Systems we could find many examples such as: budget preparations, project management, business planning etc. In those tools, budgets are the most common and widely used in entities.

Budget is a "quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of

business units, organizations, activities or events in measurable terms” (Budgeting Topic Gateway CIMA Global 2008).

Budget has the objectives of planning, facilitating, communication and coordination, allocating resources, controlling profits and operation, evaluating performance and providing incentives.

2.2.5 Incentives

The incentive component in Management Control Process is designed to "encourage behavior by managers and employees that is consistent with achieving the entity's mission" (Harvard Business School Publishing 2005).As a result, to achieve this goal, those incentives must be tied with the entity's mission, strategy and employee decision rights, key performance variables, and actual performance.

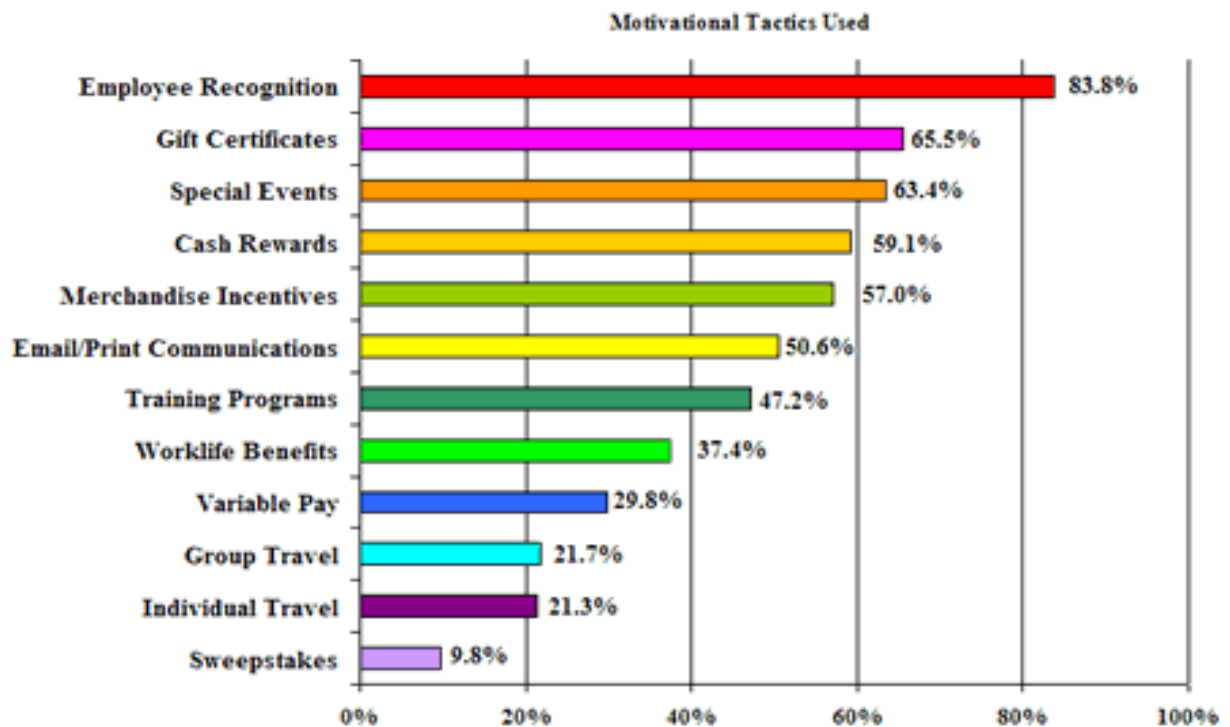
When people think about incentives, they usually think of positive incentives such as cash or promotion. In fact, incentive could be negative or positive. Easily found in entities positive incentives such as cash bonus, reward for employees under many forms such as reward "Employee of the Month", "Honored Employee" or reward for loyal employees. In many entities, each year they honor loyal employees who have dedicated more than 5 years for the companies. In contrast, there are also negative incentives, such as denial of a cash bonus, punishment, warning etc. However, according to many researches, people find it more motivated and comfortable by the chances of getting positive incentives than being punished.

Incentives could be monetary or nonmonetary. Monetary incentives are normally cash bonuses, travel cheque, which are very powerful motivator, nonmonetary rewards such as praise and public recognition may be a more effective incentive. In many companies with economic difficulties, especially in crisis period when cash bonus are not permitted, they created new and higher titles for employees meanwhile remain the salary.

In fact, cultural dimension also affects incentive systems. Vietnam is a collectivist culture that people take pride and loyalty more favorable than financial motivation. In Vietnam, employees prefer being awarded for recognition than cash. As a result, in Vietnam they tend to create more titles for employees to make them feel

"important and proud". In contrast, in a small survey conducted among young Spanish from 22-27 years old, 80% of them voted for "Cash bonus" (including raise, cash bonus and profit sharing), 10% voted for "More leave days" meanwhile only 10% voted for "other incentives" which included public recognition when asked what incentive motivates them most at work.

However, according to numbers made by The Forum for People Performance Management and Measurement, non-cash rewards are now more highly appreciated in companies occidental with 83,8% of companies have used recognition as incentive tactics meanwhile only 59,1% of which uses cash rewards.



Source: *The Forum for People Performance Management and Measurement*

Moreover, according to a recent survey done by the Forum for People Performance Management and Measurement conducted over 3,000 companies, it has shown that non-cash incentives are now more preferable than cash rewards.

As a matter of fact, depends on each objective that managers want to achieve, there are different incentives that could be implemented suitably. As seen on the

table below, managers would have reference on considering best motivational tactics for specific objectives.

Best tactic for Achieving Specific Objectives
***Top Two For Each Category Are Bolded**

Objective	Cash/ Variable Pay	Travel	Merchandise/ Gift Certificates	Recognition Communications Events	Benefit Packages
Positive Internal Communications/Buzz	11.8	6.1	13.6	64.0	4.4
Reinforcing Organizational Values/Culture	10.0	3.2	16.3	60.6	10.0
Improving Teamwork	9.6	7.0	21.1	57.5	4.8
Increasing Customer Satisfaction	19.7	3.1	24.2	50.2	2.7
Motivating Specific Behaviors/Tasks	27.5	2.6	21.0	45.4	3.5
Improving Product Quality	28.7	4.2	22.2	39.4	5.6
Increasing Profitability/ROI	31.5	7.0	17.4	39.0	5.2
Improving Customer Acquisition/Referral	26.9	4.2	31.1	36.3	1.4
Increasing Retention/Loyalty	22.9	3.6	14.8	34.5	24.2
Increasing Sales	53.7	13.8	11.5	16.5	4.6

Source: *The Forum for People Performance Management and Measurement*

Incentives are powerful motivator for the behavior of employees. Therefore, those who design and administer MCP must be aware of the social-psychological aspects of incentives. The most important thing when implementing the effective incentive systems is that guarantee the goals of the employees must be always consistent with the goals of the entity.

2.2.6 Monitoring

Monitoring is a process that requires continuous updating and modifying. This is the senior management responsibilities and goes beyond the diagnostic system's monitoring of key performance and the interactive control system's monitoring of strategic uncertainties.

To monitoring, senior managers are supposed to observe the whole process in action directly. The most important thing, monitoring must be continual. Because if it is not, the whole process may become dysfunctional and cannot adapt to changes in the entity's mission, strategies, key performance as well as self-interests of employees.

To facilitate the senior management's personal monitoring of the management control process, Internal Control Process is designed, with an aim of providing checks and balances for the senior managers to guarantee the entity is on track to achieve its mission and to minimize the unexpected surprises.

Importance of the Internal Control Systems is huge. It helps the entity to achieve its performance and profitability, prevent loss of resources, assure the entity to be complied with laws and regulations, avoid damage and other consequences.

Internal Control Process activities are divided into 2 categories: administrative controls and accounting controls.

Administrative controls' objective is to assure that the entity is being operated properly and the entity policies are being followed. Performance reviews, entity written procedures and regulatory authorities are examples of administrative controls.

Accounting controls' objective is to protect asset and assure that financial reports are reliable. Procedures designed to protect the accuracy and completeness of accounting reports, financial statements are examples of accounting controls. Nowadays, many companies also have internal audit to examine the financial situation as well as the company's effectiveness in internal control structure.

In Vietnam, the role of internal audit is not clear. In most entities in Vietnam, senior managers consider growth and profit as the top goals, without a vision to risk management and other benefits that internal audit could bring. This situation does not only happen in Vietnam, but also in almost developing countries. The reason is that business entities in those countries work on old-fashioned style, where managers do not take conscious of internal management. Moreover, to create and beneficiate from an internal audit unit require financial and high quality human resources. In Vietnam, only big companies working in banking, insurances field or state groups have their own internal audit department. According to Mr. Pakejaesin Junghuimd, Director of Advisory Department, Ersnt &Young Vietnam "Vietnam companies should be aware of Internal Audit benefits. Applying international audit standards into Vietnamese entities is not difficult, the important thing is those companies must be fully conscious of it".

In Spain, internal audit is more aware than in Vietnam. As having a developed economy, Spain is considered one of the countries in Europe which has the strongest legal character and qualified audit systems and management control.

Although an effective internal control process and facilitate in obtaining mission of the entity, it cannot assure it because there are still many limitations to the whole process.

Internal control systems are important, especially in medium/big companies where decentralization is authorized and managers tend to have more power in the whole operations. Senior managers are required to have a critical frame of mind to observe the entire process to guarantee the mission of the entity.

3 CONCLUSION

Management Control Process requires economic, systems, and behavioral considerations. The importance of this process as I mentioned above is extremely necessary in operating a successful entity. However, a well-managed Management Control Process design can facilitate the achievement of an entity's mission, but can't assure it. In the end, the success depends on the implementation of the entity's mission and the execution of the entity's strategy.

Generally, Management Control Process is designed on bases of those six components. The size as well as the influence of those six components may be varied in different entities depends on its goals, missions, size of companies, company cultures etc. Vietnam entities have their own ways of designing

Management Control Process, the same in Spanish business. As a developing country, Vietnam should take more conscious of the Management Control Process to approach benefits that it brings. In the situation of Spain being attacked severely by the crisis, it requires that managers be careful in Management Control especially in Diagnostics and Monitoring Systems.

Generally speaking, senior managers should be aware of features of each country to create and implement adequate Management Control Process to obtain growth and success.

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