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Book Review (By Muhammad Ashar Asdullah and Prof. Hassan Yazdifar)

Book Title: Enterprise Management Control Systems in China

Berlin Heidelberg: Springer-Verlag, 2014. XXII, 352 pp.

Author: Xianzhi Zhang

A comprehensive and detailed view of the management control system of China is provided in this book, which examines the theory and practice which would be beneficial for the future researchers. In addition to it, the author attempts to present a framework which would integrate the innovative enterprise regulations, managerial mindset and corporate culture in MCS. A detailed overview is provided by the work with regard to the effects of the economic reforms of China on management control in enterprises while making insightful comparisons with Western examples and western theory. The book's best part is it would help readers to discover significant frameworks and theories in MCS while demonstrating upon relationship between management control and accounting, economics, system theory and cybernetics.

The book's early chapters provide deep insight into the condition of management control in various Chinese enterprises during different era, with special focus on the demands of enforcement, guidance and external regulation and the demands of managers, stakeholders and investors. In this book, the author has made an attempt in exploring western theory and research in management control which also includes the assessment of internal control theory's evolution.

Even if we compare this work with other foreign works in the same field, we can contend that distinctive features of China are contained by this work, particular the management control system's four models that exist in the specific environment of China. These four models can be considered a very significant contribution in both theory as well as practice. First, this work is based on the control system of China that how the Chinese economic reforms developed over the year and contributed to management control. The author has made an attempt to introduce various methods that seems to be adaptive for the Chinese features while establishing management control theory. Secondly, the author has not only tries to classify management control in particular, but also aimed to define relationship between audit control, accounting control and management control. A notion has been put forward by the author with regard to the coordination between audit control, accounting control and management control and the establishment the management control's position in internal control that how it is done.

This book also sheds light on the management control system's 10 fundamental elements that how they play their immensely significant role in the whole process. These elements are known to be further improvement as well as innovation of 3 elements, 4 elements, and 5 elements in internal control. It is considered to be very significant in understanding the management control's connotation accurately through the development of management control theory.

The author states that non-profit organizations have been the modern society' significant part, therefore, they play an important role in any country's economic life. Non profit organization provides services and goods and they are considered to be essentially significant for the profit businesses since it has a great impact over the society's good running. Now the author focuses on the western countries' management control and argues that the national

economy's large portion is occupied by non-profit organizations. And then he makes the comparison of the west with China that these Non-profit organizations have a quite limited influence in China. It is important for them to meet the need of ongoing economic and political system reforms in order to be successful in China. According to the author, both management control theory and its practice are driven by the management control's demand. However, it has been show by the internal control's development that demands of stakeholders dominates the internal control and its improvement within various enterprises. He sheds light on Chinese features that the same is practiced there such as Securities and Regulatory Committee, Ministry of Finance, and Assets Supervision and Administration Commission. They are considered to be the in-charge of guidance formulation for enterprises on internal control. And there exist four main differences between internal management control and internal accounting control: style and objectives, relationship with the environment of company, control means and design structure.

As the author's main focus in this book is management control, hence, he contends that it is highly important for organization to serve the specific or public groups while fulfilling management fiduciary duty in China. Although many attempts have been made to set goals for management control, but it has been in practice since a very long time which has badly affected the China's economy. According to the author, though articles of association can be formulated by the investors through participation in the "decision-making council", but they remained outside of the organization and were not directly involved operation and management control. Volunteers, despite being large in numbers, have also not been closely associated with organization which is highly required to achieve an effective management control. Therefore, the professionals as well as managers are known to have an effective control within any organization and development depends upon their contribution in China. He further contends that regulation control system is required by most Chinese companies while keeping in view the control environment of China, since these companies need to implement various strategies through this model. Budget control system model is considered be a feasible and advanced control model but it cannot be considered suitable for all Chinese companies. Evaluation Control system can be adopted by some companies and few companies need to adopt incentive control system model, the control environment's understanding is significant for establishing and selecting internal control models. He comes up with an argument that management foundation of different companies is different, therefore, they can adopted the same or different models to implement their strategies as there is need to establish MCS while keeping in view the the specific environment of any company. No one can find only one MCS model for all company as every countries' internal environment is different.

After this section, the author moves to the project management control's development. He claims that new and innovative management approaches have not been adopted by majority of China's private companies aren't yet pioneering radical new management approaches. He takes the example of many Japanese companies that adopted these new management approaches and became successful all over the world because of their continuous improvement, quality management and in-time system. Although we cannot be deny that many of the Chinese companies have embarked upon current imperatives of management such as improvisation, responsiveness, speed and flexibility which help them in giving critical edge.

Furthermore, According to him, the project management control's academic development is mainly based in the research of methodologies and theories of management control. He gives the example of United States that they have paid special attention to the management's

control's education and established many research bodies to conduct research over that. Many universities, research institutes, large enterprises and association of project management have carried out studies on project management methodologies and theories across the globe. The theories and methodologies of project management control have made a massive progress in the world of academia in this field, but here author comes up with a constructive criticism that a very less attention has been paid to this field in china and it can be considered sufficient to be more progressive in the future ahead. Therefore, considerable gaps can be found in this research in China as compared to the international world. Hence, the book is an attempt to fill up these gaps.

A very detailed perspective has been presented by the author on management control systems' elements while introducing new methods and ideas through ten management control systems' elements and four control models that play an important role in decision making processes. The author has made a great effort to present various views of control management in different enterprises ranging from small to medium and non-profit enterprises. Management control of various Chinese enterprises is explored in this book.

In this book, some basic conclusions have been drawn by the author. He argues that investors seem to have strong impact on management control, and the impact of management control is considered highly significant by the investors. Therefore, establishing and improving management control is crucial for listed companies as it would help them attract more investors, which would ultimately lead to a great success. He further contends that there is no perfect scheme for establishing an accurate management control system. If the management control system of any listed company is failed, it can replace it with the complex type of management control. In addition to this, there should be consistency between management control and Control mode selection. This complex management control system would definitely meet the demands of investors and could be assumed as a practical and forward looking solution. The book can be considered a valuable and insightful practical guide for academicians, researchers and teams of corporate management who aims to develop as well as execute the strategies of internal control. It will definitely help provide practitioners and policy makers with a completely new viewpoint on management control in Chinese enterprises.