

MANAGEMENT CONTROL IN INTERNATIONALIZED BRAZILIAN SERVICE COMPANIES

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Abstract

The objective of this study was to determine whether the internationalization of a company's operations has an impact on its management control system. Using the case study method of research, the study analyzed four cases of Brazilian companies with international activities. The research was guided by the premise that as the geographical scope of a company's operations enlarges, its administrative complexity also grows, demanding the adoption of new and more sophisticated controls systems. The literature on management control (see Anthony & Govindarajan, 2003; Maciariello & Kirby, 2002; Merchant, 2003; Dymont, 1987; among others) gives a relatively similar treatment to the subject of the management control of internationalized companies. The evidences collected in the cases indicate that in certain situations or instances the expected fit of the management control system to new context, as well as its sophistication, may not occur. According to these results, it is possible to see the importance of considering the significance of the contextual and organizational variables, besides the usual financial metrics, so as to serve the interests of the different stakeholders in the organization in an efficient and effective way.

Introduction

The objective of this study was to verify whether the internationalization of a company's operations had some impact on the management control system. Therefore, the results obtained in four case studies of Brazilian companies of the service sector with international activities were compared. This study aims to bring more subsidies to the work accomplished by Martinewski and Gomes (2000) and Martinewski and Gomes (2001).

This research was guided by the premise that as the geographical scope of a company's operations enlarges, its administrative complexity also grows, demanding the adoption of new and more sophisticated control systems. The process becomes more critical when internationalized companies have accomplished direct investments in other countries, due to the need of expansion of the scope of the control on financial and human resources allocated abroad. A unique control system is not compatible with the cultural characteristics of different countries, demanding the use of additional mechanisms of control to deal with the new scope of businesses. Such premise is based on Dymont's thought (1987) that the administration of a globalized company should be significantly different from a

domestic one, and even from a multinational one, and its management control system structure should be adequated to a global strategy.

1. The globalization and the new social context

Gomes (1997) points out that most of the administration accounting systems used nowadays were developed in completely different situations from the ones observed at the present time. The present accounting techniques - absorption cost systems, flexible budgets - were developed in a social context of stable conditions, reduced competitive pressure, in centralized structures, with a standardized goods production that had a long life cycle and a high labor and cost production component. In these conditions, the administration accounting grew basically to be applied in industrial companies, emphasizing the production cost control.

However, the changes occurred in the last years led the organizations to a more open, international and dynamic social context in which competition grows and changes are constant and fast, what inevitably brought deep influence on the management control systems. According to Otley (1994), the main environmental changes were:

- the increase of uncertainty;
- the size of the organizations;
- concentration and alliances; and
- the decline of manufacture.

As a consequence for the companies, among others, the speed of changes has brought a growing difficulty to forecast the future. According to Otley (1994, p. 291), the heart of any control system consists of a model to foresight, which is used to evaluate the potential effects of action alternatives; any reduction in the capacity to forecast the consequences of changes reduces the organization capacity to control its destiny.

Such changes have the most varied origins - technological, social, political -, however they have as a common characteristic to affect each time a larger part of the population. Besides, they have brought changes in ethics. Now, the expectations are created in global scale; the local atmosphere is no longer the only - and in some cases, nor the main - influence of what is considered desirable or appropriate. The traditional sources of moral values have been

questioned, but, on the other hand, no other coherent or articulated references were considered. The result is that the world is becoming less and less previsible and the organizational control more and more complex.

Thus, Gomes (1997) shows that the reflex of the greatest uncertainty is that decisions and behaviors have little of a routine character what makes it difficult to structure and analyze them under rational and logical terms. Another implication is that a limited and insufficient model of forecast becomes available regarding the *a priori* relationship between the desired result with the necessary resources and the most appropriate decisions to get it. As a result, there is a greater difficulty in the planning design, in the evaluation of the behavior and in the making of corrective decision.

Under Otley's point of view (1994), the consequence of the fast changes for the organizations is expressed in the ideas of global competition and in the need of the companies to become "worldwide" companies to survive. Another consequence is the way of dealing with changes. As changes have been faster, the organizations have been dedicating less resources to an effective management of their present operations, and more and more resources to adapt their operations to the new circumstances. In normal circumstances, this adaptation demands planning which has become each time harder on account of the difficulty to forecast the consequences of changes. So, the most appropriate attitude is to develop the ability of an immediate reaction to the consequences of changes, as soon as they appear. The "management of changes" has been a necessary management ability, however, it is not a discreet attitude limited by periods of stability anymore, but it refers to a context of continuous change (Otley, 1994, p.292).

As these changes tend to become a rule, the mechanisms for the adaptation of the organization can not be left to the responsibility of just a few senior managers in charge of the development of the strategies that will be implemented by others; on the contrary, the process of organizational change should become part of the regular operational activities of the organization. In summary, the management under uncertainty conditions needs the active engagement of most of the participants of the organization, and control mechanisms should basically involve growing levels of self-control and team responsibility (Otley, 1994, p.292).

The second great change in the business context, according to Otley (1994), is the significant movement towards the reduction of the size of the business units, not only regarding the downsizing - partly explained by technological changes -, but also for the tendency of the companies in concentrating on its core business, avoiding to deviate its attention to collateral activities of smaller importance. Thus, it is observed the simultaneous attitudes of reduction in the number of intermediate managers and their increasing responsibilities. The dissociation of strategic planning, management and operational control, that was always difficult, became impracticable, and a solid integration among these functions became urgent.

The movement towards the concentration of the companies around its core business has been complemented by a stronger pressure for alliances. As the processes that are not part of an organization main competence are being removed, its products and related services need to be substituted. Therefore, they must be contracted by external sources (outsourcing, partnership), what can be done in a more reliable way through long term alliances. Such tendency is emphasized by production organization systems that incorporate the just-in-time philosophy. So, according to Otley (1994), the scope of the management control activity was enlarged, not being confined only to the legal limits of the organization. There is, among companies, a growing advising and controlling through the supply chain. "While the vertical integration was dominant in the 60's and 70's, collaboration and alliances are becoming dominant attitudes in the 90's" (Otley, 1994, p.293). This creates management styles more cooperative and based in groups, in contrast with the competitive and individualistic styles. Evidently, this will request new practices in management control; such control systems will have to cross the legal limits of the organization many times, as well as the national borders, in order to deal efficiently with the processes that go beyond such limits.

Finally, Otley (1994) acknowledges the moving of the production process of low cost and low technology products to developing countries, looking for cheaper labor costs, while the manufacture of products that request high level of technological sophistication is kept at the developed countries. This should lead to a relative decline of manufacture and an increase of rendering services organizations in the developed countries. For Otley (1994), the knowledge and the ability to innovate and to provide quite sophisticated products and services are becoming the key economical resource that will propitiate the effective value aggregation. The management control traditional techniques have required and will need to be adapted to deal with the importance of direct labor reduction; such techniques were

developed on a production basis and little consideration was given to the services sector. The new control techniques should include the workers' control based on the knowledge, where the key resource is the time and the key product includes innovation and attendance to the customers' demands (Otley, 1994, p.293).

In the same sense, Gomes (1997) alerts that the world's economy globalization shows that the non-programmed activities - activities in which it is difficult to formalize the tasks and necessary procedures to reach their objectives, to determine *a priori* the necessary means and resources, and to forecast the result - will be even more important, although being much more difficult to deal with. The reflex of this tendency is the smallest significance attributed to the industrial activities (traditionally very well structured) in comparison with the service activities.

In short, Gomes (2002) points out that the control variable-keys in the new context are the flexibility, the elimination of the intermediate hierarchical levels, the complying of the management accounting systems with the culture, the structure, the organizational strategy and the social context, and the quick response to changes. The required characteristics of a management accounting system are: to be ready for long term negotiations, to attribute more emphasis to future data, the wide use of non-financial measures, the intensive use of internal and external benchmarking, and to face the ambiguity of the strategic decisions.

Finally, it becomes necessary the adoption of a wider perspective of control, in which the organizational control is executed through different mechanisms that motivate, guide and influence the individual and organizational behavior to be the most convenient to reach the long term objectives of the members of the organization. In this perspective, the control is not just accomplished by the management but, also, by all and each one of the people that are considered part of the organization; it is accomplished permanently, and not just *a posteriori*; it is not limited just to the technical aspects of its design, but it is suitable to the culture of the organization as well as to its participants; and it is not centered exclusively in the result but it is used in a flexible way, considering the control process as an instrument guided to the people's continuous improvement and to the own process.

2. The management control in internationalized companies

The literature on management control (see Anthony & Govindarajan, 2003; Maciariello & Kirby, 2002; Merchant, 2003, among others) gives a relatively similar treatment to the subject of the management control of internationalized companies.

Initially, it is emphasized the need to consider the subjects related to the true cultural differences among the various countries. The main issue considered is that people from different origins have varied preferences and reactions to management controls. This is due to the fact that control involves behavior, essentially; when employee's groups understand things or react to things differently, different choices must be made when exercising controls. According to Anthony and Govindarajan (2003), the planning and controlling processes of a multinational undertaking are similar to the one of a domestic enterprise, however they must be specifically designed to attend the multinational context. The authors say that despite not affecting the control system design the cultural differences may have a great influence in the way the information generated by the system is used.

Merchant (2003) points out, also, the relevance that should be given to the institutional atmosphere of each country in which an organization sets up its activities. The first aspect concerns to the legal system, including issues regarding the property rights, regulation, access to legal solutions and the compulsory execution of contracts; the labor union structure and the labor relationships should also be examined. Another important aspect is the organization of the financial system and the size of the financial market, to verify the possibility and conditions to raise money. Attention should also be given to the current accounting rules.

Besides the institutional atmosphere, Merchant (2003) calls attention to elements involving the business atmosphere. Some of them, the risks/uncertainties of businesses of political and economical nature specific of each country (political atmosphere, corruption, criminality, "size" of the government and its influence in the economy, development level, inflation), the availability and qualification of labor and its mobility are outstanding.

Maciariello and Kirby (2002) emphasize the importance of the strategy adopted by the organization for its international operation to make possible the determination of the successful key factors relevant to that strategy. Just

after the determination of these factors it will be possible to decide on the autonomy degree, as well as the management system adequate for the control of this operation.

For Merchant (2003), the control of a multinational organization is much more complex than the one of a domestic organization for basically five reasons. The first reason is that the multinational organizations present an established three dimension structure; besides the functional dimensions (production, marketing) and the product line, it is considered the geographical extent. The organization must adapt its control system to each national culture (and even local) in which it operates, as previously mentioned. The second reason is that the organization has to face (or may face) the necessity of determining international transfer prices. The third one is the usually high information asymmetry between the corporate management and the people of the businesses abroad who, in general, know the peculiarities of their environment better (laws, tastes, habits, risks). The high asymmetry may limit the use of action controls due to the difficulty that the corporate management has to define an adequate judgement. The fourth presented reason concerns the distances, different languages and time zones that would hinder the frequent visit of the central management to the foreign businesses; this difficulty would be decreasing as a result of the evolution of the information technology that created fastest and easiest communications. Finally, the fifth reason is the exchange problem.

Questions related to fixing the international transfer prices and the exchange problem occupy most of the chapters dedicated to the multinational organizations in the literature on management control. Regarding the problem of fixing the transfer prices, Anthony and Govindarajan (2003) say that, besides the problems usually found in fixing the domestic transfer prices, several other aspects must be considered. Some of them are:

- tributary issues, regarding the differences of the existent income tax rates among different countries;
- government regulations that can restrict the freedom of the organization to determine the transfer prices that can maximize its global profit;
- exchange controls that limit the import amounts;
- the accumulation of funds in some countries; and
- the existence of joint ventures with foreign companies that can restrict the freedom of the organization because of the foreign partner's resistance to incur in eventual loss.

The exchange problem refers to the fact that the operations of a multinational organization occur in different currencies, which floats constantly in relation to the value of the currency of the headquarters. These fluctuations make the process of performance measurement of the subsidiaries and their managers complex. Three problems are related to the fluctuation of the exchange rates: the profit/loss related to the conversion of the statements (translation problems); the profit/loss related to operations realized in foreign currency for future payment/receipt in national currency (transaction problems); and the eventual exposure of the subsidiary for being primarily importer or exporter.

The main authors of this kind of literature seem to agree that the management of a unit set up abroad can not be responsible for the profit/loss resulting from the conversion of the statements, as well as from the operations realized in foreign currency. However, this does not mean that mechanisms to measure the performance of the managers of these units should not exist, regarding the quality of their decisions.

Dyment (1987), on the other hand, emphasizes the difference between the concept of a traditional multinational company and of a global company. According to the author, the first refers to organizations that operate at several countries under local organizational strategies and structure; differently, a global organization obtains competitive advantage through a coordinated strategy which includes all the countries in which it operates. This distinction proves that the management control becomes a more complex subject than previously mentioned. Similarly, Prahalad and Doz (1993) affirm that the growing power over several industrial branches of a small number of global competitors implicates in the need of the multinational organizations to develop a global strategy in complement to the varied local strategies to succeed. Such strategy should go beyond the borders of the national markets in the determination of supply models, price strategies, product design, technological level and financing. The central organization needs not only to coordinate the subsidiary operations, but also to influence greatly the objectives of the subsidiary strategies to conform to the needs of a global strategy.

For Dyment (1987), the control systems of the multinational organizations are mere adaptations of the local systems used by the headquarters, modified to comply with the legal demands and the administrative needs of the countries in

which they operate. In general, the emphasis is given to the result generated by the operation of each country, in spite of the market differences, of the technological evolution and, mainly, of the determination of the international transfer prices which are not under the control of the local management. The management control of a multinational is typically made by an uniform accounting system for all units, which main function is to make the consolidation of results easy for the headquarters. Priorities are established in such a way that the generation of information, which will help the local management to control and improve its strategic position, is the last of the priorities of the information system.

According to this author the globalized organization has different needs from a traditional multinational. The necessary strategic information should cross the national borders unlike the strategic information used by the branches of a multinational, which usually concentrate on the local environment, in the local competitors and in the local economy. The manager of a global organization needs to make decisions that involve the whole chain of aggregated value - from the research and development to the distribution - with an integrated and worldwide strategy.

So, the management control system required by a globalized organization must provide to the administration the control of its main strategy. The difference between a typical domestic organization and a multinational is in their basic characteristics; for these organizations the business concept is their separate business portfolio which strategies are determined by their market share and their growth rate. Applied to a global organization this concept can be disastrous, since this organization requires a strategy that interrelate the use of all its resources. In this case, the fact that an unit is presenting a return on its investment superior to its risk may be irrelevant if compared to the contribution that an investment can provide to the long term global result of the organization. The return of a specific unit can be negative and even so justify new investments on account of its contribution to the global result.

For Dymont (1987), a global organization must have a centralized management and the product managers must have worldwide authority. Briefly, although being important to determine the tributes to be paid and to present the accounting statements, the local results are not the main performance measure because they provide little indication of achievement of the global strategies.

This author says that the key point for the management control system of a global organization is the definition of [few] **critical objectives** - through a process that goes through the definition of its *strategic excellence position*, of meticulous analysis of the environment, of the competition and of the accomplishments of the organization - that should be reached next year and those that should be reached later on. These **critical objectives** form the center of the organization's management control system. They should not have standardized format, being different in each country where the organization operates; when reached, they should be renewed. The financial control requires specific systems, some providing daily or even immediate information (i.e. cash flow, loan rates and investment in the various countries where it operates) in such a way that the traditional financial controls, based on monthly reports, in general, which provide little additional information must be reduced, as soon as possible, or even eliminated. Besides these ones, the appropriate control of the global organization requires information regarding the attendance to the legislation (tributary, corporative, labor) in the several countries in which it operates, tactical information (i.e. exchange, trends) and information on the management performance (the contribution to reach the global result).

In short, the purpose of the management control in a global organization should be to verify whether the global strategies are being implemented with success. A mistake in adopting an adequate control system for a global strategy may take the company to focus the wrong elements and, as a consequence, the aimed strategic advantage may not be achieved.

However, the adaptation of the management processes to the global environment can be complex and slow. Bartlett (1993), in his study on the internationalization process of companies of the pharmaceutical sector, points out that the local governments' and the global competitors' growing pressures force the organizations to develop and to integrate their management accomplishments at a local as well as a global level; to accelerate the changes in both fronts these multiple accomplishments and perspectives must interact in a flexible way. In general, it was taken for granted that changes in the company's organizational structure would be the main action to adapt the decision making process, nevertheless to catch the subtlety and complexity of a flexible multidimensional process, just by changes in the formal structure, is not an easy task. According to the author, the studied companies carried out a gradual process of

changes in the people, in the relationships and in the processes, which were introduced in a more casual and less traumatic way (than a formal restructuring). Instead of focusing attention in the structure itself, the managers of these organizations considered basically the nature of the decision making process that the change aimed at. These organizations developed flexible multidimensional decision-making processes demanded by their strategic environment, without changing their formal structure. Bartlett (1993) concludes that a process of adaptation to a global environment based on the evolution of the organization seems to reach the same objectives, being less traumatic than an adaptation process based, primarily, in the formal restructuring of the organization.

Another problem in the process of adaptation of the control systems of globalized companies is the thesis of Prahalad and Doz (1993), which says that as the subsidiaries mature and become self-sufficient regarding the strategic resources - such as technology, capital, management and access to the markets - decreases, significantly, the capacity of headquarters to control the strategies of the subsidiaries. This inability to exercise the control based on the dependence of strategic resources obliges the headquarters to seek other mechanisms of control. According to the authors, the creation of a sophisticated organizational context - a combination of organizational structure, information system, evaluation and reward systems, a career planning and the fostering of a common organizational culture - may compensate the loss of control of the headquarters.

3. The Companies Herein Studied

To achieve the established objective were analyzed the case studies on the companies ABC Engenharia S.A. (disguised name) (Martinewski and Gomes, 1999b), Navegação Vale do Rio Doce (Avellar, 1999), Andrade Gutierrez (Cupertino et alli, 2000) and Localiza Rent a Car S.A. (Pereira et alli, 2000)

The case of ABC Engenharia S.A.

This company operates in the sector of project management and is the largest in Brazil, in the segment of industrial projects. The internationalization of its activities has started due to the necessity to attend the demand of one of its customers that would start the construction of a factory in Argentina, in 1993, - so the company opened a subsidiary in this country. The mission of the company is to attend the needs and demands of its customers for specialized services of administration to implement any kind of project. Thus, the company may provide the customer's full

satisfaction, and its continuity and growth, allowing its employees' and shareholders' personal and professional accomplishment. In the execution of its activities the following targets must be achieved:

- results: reach the customer's goals (term, cost, safety, and quality)
- moral: working atmosphere (the employees' satisfaction and motivation, the concern with education and training, and the search for excellency)
- ethics: expected behavior of the members of the company (honesty, loyalty, integrity and independence)
- style: manner of conducting operations (dynamism, flexibility, cooperation and participation).

The statute of the company foresees the complete dedication of the partners to the company. The project managers act functionally together with the divisions they are linked to, and regarding the matrix organization with the support areas and with the administrative and financial management. There is no formal strategic planning; however, objectives and goals are defined for a five year period, based on the shareholders' experience and sensibility. The short and medium term planning are defined annually, with detailed objectives and monthly goals for the following year; moreover, they present the objectives and generic goals for the second subsequent year.

The planning process begins on a top level management, and the objectives and goals are communicated formally to all the sectors of the company so that they may present their proposals to reach the global goals. Such proposals are discussed with the management, being formalized or revised, afterwards; it is a highly interactive process. In the half of the year, the objectives and goals are revised and updated for the remaining period of the year. Each operation - or project in process - is considered a result center. The following up of the activities is made through accounting, financial, human resources and commercial reports. The main concern is the performance of the company and the goals of quality of the rendered services. In the performance evaluation are considered the financial results and the results for the customer (in terms of real quality, period and cost). The new Argentinean subsidiary, in respect to the deep studies and analysis, made no substantial change in the company's control system. The company adopts the practice of distributing 15% to 20% of the net operational profit to its employees; however, there is not any process of individual performance measurement. The company does not have even a structured career plan; this is due to the

nature of its activities which are subject to fluctuations. However, for those outstanding employees there is the possibility of participating in the society.

It was observed in this study that the company adopts an *ad hoc* control structure (Gomes and Amat, 2002), suitable to its performance in a quite competitive social context. It was noticed a high decentralization and autonomy degree provided to the project managers, characterizing a company of high professionalism. Since it is an organization with non-routine activities, focused on innovation, there is a natural difficulty in formalizing procedures and behaviors. Nevertheless, it is attributed great importance to financial indicators related to the projects - such as revenue, costs and gross margin - and to the achievement of the goals established in the budget, without the use of non-financial indicators. Despite the internationalization process have not affected the company's control system, it is important to notice that it is, in many points, in agreement with what establishes the literature regarding the management control of services companies.

The company's moving to a foreign country seems not to be a strategic decision but just to take advantage of a business opportunity. An interesting consequence of the internationalization process was the expansion of the domestic businesses due to new businesses accomplished at other countries.

The case of Navegação Vale do Rio Doce S.A.- Docenave

Controlled by the Companhia Vale do Rio Doce S.A., Docenave operates in the maritime transport of loads and port services. The internationalization of the company consisted of the constitution of subsidiaries abroad seeking to assist specific needs of the market of maritime transport due to the existent protectionism in the world sailing. In fact, the subsidiaries just exist "in the paper" being the operation totally driven by the headquarter in Brazil.

The company and its subsidiaries are managed as if they were a single company, not having individual evaluations of each subsidiary. The concern with the profitability and the return became effective only after the process of privatization of the company. Starting from this event, the bureaucratic control system began to be substituted by a result control system, by means of the use of a wide range of financial indicators (EVA, return on capital employed and profit) and activity indicators (transported volume, number of attendances to customers). The accompaniment of

the performance is made through the monthly comparison of the budgetary execution, being one of the main items the gross margin specified by the majority shareholder.

Since the company was privatized recently and the new proprietors didn't have knowledge of the branch, the company doesn't still have strategic planning, which is in implantation. Studies seeking Balanced Scorecard implantation are also in process. In the same way, an incentive and rewards plan is also being implanted. However, in spite of not formalized, the company demonstrates great concern with the improvement and specialization of its employees' motivating the participation in training activities and participation in courses of languages and of masters degree.

The company is divided in responsibility centers which are divided in profit centers (general load, grain load and port services) and cost centers (operations and administration). In the operations among the responsibility centers is used the concept of transfer price. In that way, the area of operations charges the maintenance services and repairs, as well as the operation of ships of the load areas. The maintenance services and repairs are collected by a standard cost (established in international patterns), while the operation costs are transferred by its real values; the area of services of port support, for its time collects its services for the incurred real costs. The expenses of the Administrative-financial area are allocated to the profit centers through a pro rata based on the number of employees. Finally, the ships are treated about independent units and their operation costs are accompanied daily through a system of communications through satellite.

The case of Andrade Gutierrez S.A.

Andrade Gutierrez acts in the sectors of heavy construction and participation in public concessions and of telecommunications, being one of the three larger companies of construction of the country. The international activity of company consists of the execution of works in several countries, like Mexico, Argentina, Ecuador, Bolivia, Peru and Portugal.

The company believes in the importance of the employees' participation in the improvement of the administrative processes. So, it is used administration and administrative innovation programs; among these stands out *Work Out*.

This technique tries to obtain the employees' an active part in the evolution of the processes of management of the company, objectifying the people's larger participation in the administration, the invigoration of the current leaderships and promotion of the potential leaderships, the people's autonomy in its processes, the agility in the decisions and in the effectiveness of its implementation and the commitment with solutions with emphasis in the action. As a result of the use of those programs, the company obtained the improvement of the internal communications, the elimination of bureaucracies, besides accelerating cultural changes seeking the people participation in the management and the commitment with solutions and results. The continuity of this process is made through the implantation of the Plans of Action which define the actions, the periods and the responsible persons. Also as part of this process, the company uses the program “*Mapeamento 360*” which allows the implantation of the values and of the culture of the organization, besides supporting the self-development and the improvement of the executives' performance. In the long term, the objective is to obtain subsidies for the administration of careers, remuneration and planning of human resources. It is of standing out, also, the emphasis attributed by the company to its executives' improvement, through the participation in programs of MBA.

The system of information was developed by the own company, and its last restructuring was made two years ago and it consisted of the integration of the several systems that before operated separately: accounting, payroll, cash, projection of results, goals, fiscal area, among others. The planning process works with a horizon of up to five years (duration of the contracts); detailed projections are made for the period of one year being revised every four months. Each division is responsible for its strategic planning.

The control of results foresees EVA's use for check the profitability of the projects. The company adopts an incentive and rewards system based on the execution of the goals of a project and in the result obtained by the company.

The case of Localiza Rent a Car S.A.

Localiza operates in the rent of cars sector, being the company leader of the sector in Latin America and ranked among the ten larger of the world. It is, also, the largest Brazilian franchising company in the service sector. The international operation of the company consists of the franchise of the mark Localiza in Brazil and abroad, acting at eleven countries of Latin America, besides Brazil.

The company has as reference for its administration model the National Program of Quality, of which uses its tools (Strategic Planning, Leadership, Administration of Human Resources, Administration and Analysis of Information, Administration of Process, Satisfaction of the Customer and Result of the Business), properly adapted to its characteristic of service company.

The managerial control system has as prominence the strategic plan, which defines the objectives of the high management and it is constituted in the guidelines for the establishment of the indicators and performance goals to be reached by the sections, functions and areas.

The company adopts several types of control indicators, evaluating the acting of the sections, functions and areas. Some of those indicators are: sales (volume, average price and receivables), maintenance (cost), attendance to the customer (index of complaints), system of information (time of continuous operation) and system of telecommunications (use of the time of use of the satellite). Among the management tools are the SOL - Sistema On Line that allows the constant change of information among the members of the net, through Internet or for satellite - and the “benchmarking” - through which the well succeeded experiences are disclosed and its practice, motivated.

The reward system is based on a “Contract of Administration” maintained with the employees, in which are established the goals and the rewards foreseen by the reach of the goals, as well as the participation in the results.

The relationships between the company and its partners are based on its Code of Ethics, which establishes the parameters of behavior that should be observed.

3. Analysis of the studied cases

The analysis of the management control systems of the companies under this study reveals that in the first case the company's choice for internationalization, although not affecting significantly the management control system, which is in some aspects in disagreement with the basic research premise that the internationalization would implicate in changes in the control systems (Dyment, 1987), presents many important points on the control system

adopted by the company that keep it quite close to the recommendations of several authors of the area, in respect to service companies (see Anthony and Govindarajan for instance, 2003), mainly the appropriate consideration to the intellectual capital. One of the reasons that there was no impact of the internationalization on the control system is the fact that the moving can not be characterized as being a strategic decision of the company; it was basically taking advantage of an opportunity in a due time. This is reinforced by the fact that the Argentinean branch operations are practically paralyzed. Another point is that in the case of the studied company, it has extended its domestic businesses due to new businesses accomplished in other countries. As an adviser company, which customers' portfolio is a significant factor to do new businesses, the international exposure seems to have aggregated value to the business, making possible the realization of new important national projects that before the internationalization were assisted by foreign adviser firms.

Basically, the same verification can be made in the case of Docenave, that is, there were not noticed indications that the internationalization process has caused any impact on its managerial control system. The main changes (from bureaucratic control for results control) and the evolution observed recently can be attributed to the process of privatization of the company. It is observed that the expansion of the company, through the creation of its subsidiaries "of paper", was a decision of its parent company to avoid the existent protectionism in the branch of maritime transport of loads, what could affect its operation negatively. It is interesting, still, to notice that the company elaborates its financial statements observing the US GAAP for the fact of its parent company which have securities negotiated in the New York stock market.

In the same manner, the growth and Andrade Gutierrez's evolution seem to be the main factors that influenced the changes happened in the managerial control system of the company.

Finally, in what refers to Localiza, it was verified that were not the internationalization the decisive factor for the refinement of the administration controls, but the own evolutionary process of the company and its expansion needs. The only sensitive impact of the international performance, was the need to adapt its accounting procedures to the American norms - specifically SEC (Security and Exchange Commission) and FASB (Financial Standard Accounting

Board) - in order to facilitate raise money in that market with rates that are lower than in the national market, turning it more competitive and facilitating higher growth rates.

4 . Summary

Through the study of these four cases of internationalized Brazilian companies this work aimed to confront theory with practice. As it can be observed, the results obtained, although not a general rule, reinforce the conclusion of a previous research (Martiniowski and Gomes, 2000 and 2001) that there are circumstances in which the internationalization of a company's operations does not necessarily involve a wide sophistication and complexity of the management control system. According to these results, it is possible to see the importance of considering the significance of the contextual and organizational variables, besides the usual financial metrics, so as to serve the interests of the different stakeholders in the organization in an efficient and effective way. As a subject still very little explored in the area of management control, the conclusions of this study enhance the perspective of new researches in the accounting and management control areas - mainly those that taking into account differentiated methodology offer the possibility of data generalization - in order to explore the reasons which lead to verify that the behavior foreseen by Dyment (1987) did not occur in Brazilian companies with international businesses.

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