

## MANAGEMENT CONTROL SYSTEMS AND TRUST: A VIEW IN THE CONTEXT OF INTERNATIONAL COOPERATION PROJECTS

Research in the field of management control systems (MCS) has recently shifted attention towards third sector organizations (Davila, 2012). These have been widely discussed in the development literature as agents of civil society advocacy and providers of welfare services for disregarded communities. Notwithstanding the above, a particular sub-setting that remains under researched inside MCS is the one constituted by grassroots organizations (GO).

Unlike average NGOs and mainstream nonprofits, GOs have “democratic structures based on common goals” (Theuvsen, 2004, p.119), manage their own development and they are the ultimate recipients and beneficiaries of any gathered external aid. In other words, while large NGOs speak on behalf of others (filling out a sort of intermediation role in the provision of welfare services), grassroots organizations are formed by the same communities that require the assistance. This opens the door for a large set of challenges—different from the ones of other entities in the third sector— that should be studied.

Due to the scarcity of their own resources, several GOs are usually funded, in the form of international cooperation projects, by multilateral agencies and large NGOs. This implies the necessary adoption of management control systems that come as part of upward accountability mechanisms (Ebrahim, 2003; O’Dwyer & Unerman, 2007). MCS become pivotal in this donor-beneficiary relationship, since in many times, the MCS and compliance procedures that grassroots should undertake in order to obtain financial resources, are at odds with the development of bonds of *trust* with their donors. Chenhall, Hall & Smith affirm, for the case of NGOs, that the provision of welfare implies “developing an identity to deliver humanitarian services and to attract economic capital to fund operations. At times these two functions can be in tension” (2010, p.737). I posit that grassroots face a similar difficulty.

The above leads us to think that the introduction of MCS in projects partnered with GOs may be detrimental to the development of links of trust between the funding agencies/service operators and the communities, in favor of project control and compliance. It is necessary then to explore

the interplay MCS-trust in the setting of international cooperation projects. Explicitly, my research question is stated as:

*In the context of international cooperation projects, how does the introduction of management control systems affect the development of grassroots organizations' links of trust with their external partners?*

In order to preliminary assess this inquiry, I undertook an exploratory study with two main purposes: 1) To review what the literature in management has said about the relationship Trust-Control; 2) To assess the relationships and perspectives that some actors in the international cooperation chain have on management control systems and its impact on the donor-beneficiary relationship. Therefore, using a qualitative methodology and a grounded theory approach (Charmaz, 2006), I interviewed five individuals working in international cooperation agencies and large NGOs. This exploratory study produced the following outcomes:

1) Using a framework presented by Langfield-Smith and Smith (2003) and data from the fieldwork, I found that international cooperation projects follow a bureaucratic based control pattern, which is characterized by high task programmability, high output measurability, asymmetries of power between the contracting parties, among others. The implications of this is that the deployed control mechanisms in the field are “outcome and behavior controls, focused on direct intervention” (Langfield-Smith & Smith, 2003, p.288), and making necessary the existence of competence trust and contractual trust. Such implications are also backed up by interview data.

2) The interplay between trust and control tends to be more of a contingent balance, rather than a perfect, commensurate trade-off, since both concepts may act both as competing opposites or as complementing alternatives, depending on the situation. This is an eclectic view consistent with previous considerations in the literature.

3) En passant, this study has served to partly address the concerns about the usefulness and applicability of models conceived for-profit seeking corporate initiatives, into the non-for profit sector. It also has served to enhance and refine my own conceptual framework and preconceived

ideas about trust and control in international cooperation projects. Although I was far from answering my initial question –mainly due to the lack of people from grassroots organizations participating in the interviews– the study helped me realize that international cooperation is more complex than imagined. In addition, it opened my own door for future avenues of research in the field.

With the lessons learned through this study, I expect to expand the proposal to include a bigger set of actors, including grassroots organizations.