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Social Compliance Pressure from International Brands and the Mechanism Through which Internal Control Affects Management Accounting Information Quality in Vietnamese Textile and Garment Enterprises: An Organizational Information Processing Theory Perspective

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Abstract

This paper adopts a desk-research method to clarify the mechanism through which internal control affects management accounting information quality in Vietnamese textile and garment enterprises operating under social compliance pressure from international brands. Drawing on organizational information processing theory, the paper argues that compliance pressure increases firms' information processing requirements along both the volume and uncertainty dimensions, while the information processing capacity of the management accounting function, particularly among small and medium-sized enterprises,

does not expand correspondingly. This gap leaves internal control at risk of operating defensively, fragmenting and degrading management accounting information quality rather than fulfilling its potential role as a mechanism reconciling external compliance demands with internal management needs. On this basis, the paper recommends that textile and garment firms integrate their compliance-oriented and management-oriented record-keeping systems into a single shared data infrastructure, and it suggests directions for subsequent quantitative testing.

Keywords: Internal Control, Management Accounting Information Quality, Social Compliance, Organizational Information Processing Theory

1. Introduction

The textile and garment sector is one of Vietnam's leading export industries and is deeply embedded in global supply chains through subcontracted manufacturing for international brands. This position requires Vietnamese textile and garment enterprises to simultaneously satisfy two information flows of a fundamentally different nature: an internal flow that serves planning, cost control and operational decision-making, and an external flow that serves the demonstration of social compliance according to standards imposed by international brands. Because the relationship between Vietnamese textile firms and international brands typically exhibits the high power asymmetry characteristic of certain global value chain governance patterns, a feature that Gereffi *et al.* (2005) ^[3] illustrated specifically through the apparel industry in their fivefold typology of global value chain governance, compliance pressure extends beyond technical production requirements into continuous reporting, record-keeping and documentation obligations.

International empirical evidence, however, reveals a notable paradox. Islam *et al.* (2018) ^[4], studying social compliance audits in the garment sector of a developing country, found that compliance auditing increasingly functions as a ritualistic exercise rather than a substantive mechanism for improving labor conditions. LeBaron and Lister (2015) ^[6] similarly showed that the ethical audit regime governing global supply chains typically covers only a small portion of the actual supply chain, while omitting precisely the segments where risk is highest. This implies that the volume of record-keeping and reporting work that textile firms must perform to satisfy brand requirements has increased substantially, but has increased in a direction oriented toward demonstrating surface-level compliance rather than genuine managerial control. Against this backdrop, the question arises as to how the internal control systems of Vietnamese textile and garment enterprises operate so as to simultaneously satisfy external compliance pressure and ensure the quality of management accounting information used for internal operations, and whether these two objectives are genuinely compatible or instead generate a trade-off.

Domestic studies on internal control in Vietnam's textile and garment sector, such as that of Tran Trung Tuan and Tran Thi Song Lam (2021) ^[7] on the influence of firm size on the implementation of the five components of internal control, have primarily approached the subject by identifying internal firm-level factors affecting internal control, such as workforce size, revenue and total assets, without situating internal control within its relationship to information pressure originating outside the supply chain. This research gap points to the need for an analytical framework that positions internal control at the proper intermediary point between the two information flows described above. Organizational information processing theory, with its core constructs of information processing requirements, information processing capacity, and the fit between the two (Galbraith, 1973; Tushman & Nadler, 1978) ^[2, 8], provides a suitable theoretical foundation for explaining this phenomenon.

On this basis, the present paper adopts a desk-research method, synthesizing, analyzing, evaluating and comparing domestic and international academic literature, in order to clarify the mechanism through which internal control affects management accounting information quality in Vietnamese textile and garment enterprises operating under social compliance pressure from international brands. The specific objectives are to systematize the theoretical foundations concerning the relationship between information processing requirements and capacity within the context of internal control; to analyze the mechanism through which social compliance pressure increases information processing requirements in textile and garment enterprises; and to propose managerial implications for improving the fit between information processing requirements and capacity, thereby enhancing the quality of management accounting information.

2. Theoretical Foundations and Research Method

Organizational information processing theory, initiated by Galbraith (1973) ^[2] and developed by Tushman and Nadler (1978) ^[8] into a general framework for organizational design, rests on the premise that an organization is fundamentally an information-processing system intended to reduce uncertainty in decision-making. Under this theory, the level of uncertainty an organization faces determines the volume of information that must be gathered, interpreted and synthesized in the course of its operations, referred to as information processing requirements. Opposed to this is information processing capacity, that is, the organization's actual ability to gather, transmit and process that volume of information, which depends on organizational structure, information systems and available human resources. Organizational effectiveness, under this theory, depends on the degree of fit between information processing requirements and information processing capacity; when requirements exceed capacity, the organization must either expand its processing capacity or reduce its requirements through load-shedding mechanisms, risking information that is processed carelessly, inaccurately or with delay.

Applied to the context of Vietnamese textile and garment enterprises, information processing requirements arise not only from the inherent complexity of subcontracted manufacturing operations but are also strongly shaped by social compliance pressure imposed by international brands through periodic and ad hoc compliance assessments. The

value chain governance arrangement in which textile firms participate, following the typology of Gereffi *et al.* (2005) ^[3], typically exhibits high power asymmetry, with the brand occupying the dominant position and dictating reporting requirements, leaving the subcontracting firm very little room to negotiate the volume and frequency of information it must supply. Meanwhile, the information processing capacity of the management accounting function in most Vietnamese textile and garment enterprises, which tend to be small and medium in scale, is constrained by the competence of accounting staff, the level of investment in information systems, and the mechanisms for cross-departmental coordination. Internal control, within this analytical framework, serves as an intermediary mechanism with a dual function: it is both the channel through which information is gathered, standardized and transmitted for compliance purposes, and the foundation ensuring the reliability of information used for internal management. When internal control is designed and operated effectively according to the five components of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, namely the control environment, risk assessment, control activities, information and communication, and monitoring activities (COSO, 2013) ^[1], it has the capacity to expand the organization's information processing capacity, thereby narrowing the gap with requirements. Conversely, when internal control is operated merely as a defensive response, aimed at passing compliance assessments rather than serving substantive management purposes, it exacerbates this gap and leads to a deterioration in the quality of management accounting information.

Methodologically, this paper employs a desk-research approach, based on synthesizing, analyzing, evaluating and comparing domestic and international academic works related to three thematic clusters: organizational information processing theory, the mechanism of social compliance auditing within global textile and garment supply chains, and management accounting information quality. Literature was selected on the basis of publication in peer-reviewed academic journals with verifiable provenance. Building on this synthesis, the paper undertakes comparative analysis to identify the mechanism of effect, while juxtaposing the international context against the specific characteristics of Vietnamese textile and garment enterprises in order to derive implications suited to domestic practice. The choice of a desk-research method is appropriate to the nature of the research problem, since the relationship among compliance pressure, internal control and management accounting information quality is fundamentally conceptual and must first be clarified theoretically before it can be tested using primary data in subsequent studies.

3. The Mechanism through which Internal Control Affects Management Accounting Information Quality under Social Compliance Pressure

3.1 Social Compliance Pressure and the Rising Requirement for Information Processing

Social compliance pressure on Vietnamese textile and garment enterprises stems from multiple, parallel sets of standards issued by brands, multi-stakeholder initiatives and independent auditing bodies, producing what LeBaron and Lister (2015) ^[6] describe as an ethical audit regime that is standardized in appearance yet overlapping in substance.

Each set of standards typically requires firms to maintain records in its own distinct structure, compelling accounting, human resources and production departments to maintain multiple parallel record-keeping systems for the same underlying transaction, such as time-and-attendance records, payroll records, and occupational safety records. The volume of documentation required for each compliance assessment, as described by Islam *et al.* (2018) ^[4] based on direct interviews with auditors and supplier representatives, tends to concentrate within a short period preceding each assessment, generating information processing pressure that is seasonal rather than steady. This pattern increases information processing requirements along two dimensions: a volume dimension, as the number of documents to be prepared surges within a short time frame, and an uncertainty dimension, as evaluation criteria across different standards are not fully harmonized and may change from one assessment cycle to the next.

3.2 The Limits of Information Processing Capacity in the Management Accounting Function

While information processing requirements rise, the information processing capacity of the management accounting function in most Vietnamese textile and garment enterprises does not expand correspondingly. The findings of Tran Trung Tuan and Tran Thi Song Lam (2021) ^[7], based on a valid sample of 106 Vietnamese textile and garment enterprises out of 205 questionnaires distributed, show a statistically significant positive relationship between the implementation of all five components of internal control, including the information and communication component, and firm size as measured by average workforce size, revenue and total assets. The implication is that small and medium-sized textile firms, which account for a large share of the sector, possess markedly weaker information processing capacity than larger firms, even though compliance pressure from international brands does not differentiate by firm size. At the international level, Knauer *et al.* (2020) ^[5], surveying 143 medium-sized and large firms, found that information system quality, determined by the level of information technology investment, the information technology literacy of both internal and external personnel, and the diversity of data sources, is a direct determinant of management accounting data quality. Juxtaposing these two findings indicates that in small and medium-sized Vietnamese textile enterprises, where investment in management accounting information systems remains limited, the gap between the information processing requirements generated by compliance pressure and the available information processing capacity is particularly wide.

3.3 Internal Control as a Reconciling Mechanism and Its Effect on Management Accounting Information Quality

When the gap between information processing requirements and capacity is not narrowed, internal control tends to operate defensively, concentrating resources on completing documentation for short-term compliance assessment purposes rather than maintaining a consistent record-keeping system that serves ongoing management needs. Islam *et al.* (2018) ^[4] describe this phenomenon as a form of ritualization of compliance auditing, in which firms learn to perform compliance for external auditors without necessarily altering the substance of their internal operating

processes. The direct consequence for management accounting information quality is that recorded information tends to fragment according to purpose of use, with one set of records maintained for compliance assessment and a separate set of figures maintained for actual internal management, thereby undermining the consistency, timeliness and reconcilability of management accounting information.

Conversely, when a textile and garment enterprise designs its internal control system in an integrated manner, such that the information and communication component is built as a shared data infrastructure serving both compliance and management purposes, internal control can play the role of expanding the organization's information processing capacity in precisely the manner proposed by organizational information processing theory, through standardizing source-data collection procedures, reducing duplicate data entry, and strengthening cross-departmental reconciliation mechanisms. Under this approach, compliance pressure from international brands, rather than being a pure burden, can become an incentive for firms to invest in management accounting information systems, provided that the firm proactively integrates compliance reporting requirements into the design of its internal information system from the outset, rather than handling the two in isolation.

4. Conclusion and Implications

This paper has clarified the mechanism through which internal control affects management accounting information quality in Vietnamese textile and garment enterprises operating under social compliance pressure from international brands, drawing on organizational information processing theory. The synthesis and analysis of the literature show that compliance pressure increases firms' information processing requirements along both the volume and uncertainty dimensions, while the information processing capacity of the management accounting function, particularly among small and medium-sized enterprises, does not expand correspondingly. This gap leaves internal control at risk of operating defensively, fragmenting and degrading the quality of management accounting information, rather than fulfilling its potential role as a mechanism reconciling the two information flows.

Academically, this paper contributes to extending the application of organizational information processing theory into the field of management accounting within the context of global supply chains, and suggests directions for subsequent quantitative research to test the degree of fit between information processing requirements and capacity in Vietnamese textile and garment enterprises. Managerially, textile and garment firms should review the parallel sets of records they currently maintain for compliance and internal management purposes. Firms should consolidate these records into a single shared data infrastructure. Firms should prioritize investment in the information and communication component of internal control before expanding production scale. Small and medium-sized enterprises should consider sharing the cost of information system investment through industry associations. Industry regulators should encourage mutual recognition among international brands across their respective compliance standards, in order to reduce the overlapping reporting requirements imposed on Vietnamese textile and garment enterprises.

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