This thesis deals with management control systems in entrepreneurial organisations. It particularly pays attention to medium-sized growing companies, since they are argued to be in an interesting situation of overall tensional requirements.

The empirical study is based on two ‘good examples’, Soft Tel and Family Tech. Both these companies are described as medium-sized and growing. They are further defined as entrepreneurial. Several interviews were made with managers in these two companies, asking for their use of management control systems. The empirical material is analysed in accordance with a balancing framework. This framework is based on management conceptions found in corporate entrepreneurship literature, and consists of a number of management control tensions.

An overall conclusion from the study is that it is possible and fruitful to approach the use of management control systems as a balancing between opposing elements, e.g. between formality and informality. It helps us to understand how and why management control systems are used. Regarding the companies in question, the study shows that they differ in their managers’ way of using and reasoning about management control systems. The managers also balance between somewhat different opposing elements. The study further shows that tensions are dealt with in various ways; a variety which is reflected in the notions of a dilemma, trade-off, duality, and a paradox. Finally, it is suggested that there is little evidence of a special ‘entrepreneurial’ use of management control systems in the two companies.
Management Control Systems in Entrepreneurial Organisations
– A Balancing Challenge

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EVA LÖVSTÅL

Management Control Systems in Entrepreneurial Organisations

– A Balancing Challenge
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Similar to the use of management control systems in entrepreneurial organisations, the process of conducting and writing a doctoral thesis can be described as a balancing challenge. During these years, there has been a constant struggle between e.g. thesis writing and other work-related duties, between family life and number of working hours. There has also been a balance between such aspects as creativity and freedom on the one hand, and strict rules and long traditions on the other. Besides that, the process has been characterised by a balance between lonely persistent work and the interaction and cooperation with other people.

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Grönadal in January 2008

Eva Lövstål
Abstract

This thesis deals with management control systems in entrepreneurial organisations. It particularly pays attention to medium-sized growing companies, since they are argued to be in an interesting situation of overall tensional requirements. At the same time as there is a need for continued entrepreneurship, a more formalised and impersonal management is asked for. It is further suggested that the use of formal management control systems – such as budgeting and reporting systems, performance measurement systems, and project costing systems – involves an exceptional delicate issue for this group of companies and their managers.

The empirical study is based on two ‘good examples’, Soft Tel and Family Tech. Both these companies are described as medium-sized and growing. They are further defined as entrepreneurial, in the sense of being able and willing to pursue opportunities and to introduce them on the market. Several interviews were made with managers in these two companies, asking for their use of management control systems and motives for using – and not using – them. The empirical material is analysed and interpreted in accordance with a balancing framework, developed in the reference chapter. This framework is based on management conceptions found in corporate entrepreneurship literature, and consists of a number of management control tensions.

An overall conclusion from the study is that it is possible and fruitful to approach the use of management control systems as a balancing between opposing elements, e.g. between formality and informality. It helps us understand how and why management control systems are used. Regarding the companies in question, the study shows that they differ in their managers’ way of using and reasoning about management control systems in relation to planning, decision-making and organisational control. The managers also balance between somewhat different opposing elements. It is suggested that these observations can be understood if considering that the companies are different in respect of (a) their growth situation and (b) how entrepreneurship is approached and organised. The study further shows that tensions are dealt with in various ways; a variety which is reflected in the notions of a dilemma, trade-off, duality, and a paradox. Lastly, it is suggested that there is little evidence of a special ‘entrepreneurial’ use of management control systems in the two companies.
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I Presenting the Study

1.1 Entrepreneurship in Medium-Sized Growing Companies

Entrepreneurship is often associated with small and newly created businesses. Such associations go back to the idea that entrepreneurship deals with the alternative to start and run one’s own business, instead of being an employee on a contract basis (Davidsson, 2004). This type of entrepreneurship – sometimes labelled ‘independent entrepreneurship’ (see e.g. Sharma & Chrisman, 1999) – highlights such factors as self-employment, small business management and family business issues (Davidsson, 2004). Entrepreneurship is also discussed in the context of established organisations; something Davidsson and Wiklund (2001) observe in their article about entrepreneurship research. When discussed in this type of context, entrepreneurship has a different meaning, being closely related to the development and renewal of organisations and markets. When adopting this view of entrepreneurship other topics come in focus, such as innovation, strategic renewal and organisational change. This study focuses on entrepreneurship in established organisations; a phenomenon which is sometimes called ‘corporate entrepreneurship’.

An early attempt to incorporate entrepreneurship into established organisations was presented by Normann (1975/1999). Having particularly large and complex organisations in mind, since they dominated the Swedish economy, Normann asks for the ‘entrepreneurial organisation’. His work has later been followed by numerous others, also focusing on and arguing for entrepreneurship in corporate contexts. Many of these are rooted within the field of strategic management, such as Miller and Friesen (1982), Burgelman (1983), and Kanter (1985). Two more contemporary examples of articles that discuss entrepreneurship in the context of established organisations are Covin and Miles (1999) as well as Hornsby, Kuratko, and Zahra (2002). In these kind of articles, entrepreneurship is asked for and presented as a means to keep up with the speed of change and to improve the competitive strength of companies (e.g. Covin and Miles, 1999; see also Dess, Lumpkin and McGee, 1999; Hall, Melin and Nordqvist, 2001).

Similar to Normann (1975/1999), most authors discuss corporate entrepreneurship in the context of large and mature organisations. Some researchers argue though that small and medium-sized companies – as well – are
in need of entrepreneurship, and maybe particularly those with an aim to grow (see e.g. Carrier, 1996; Rae, 2001). In such context, entrepreneurship may be a prerequisite for creating internal growth and for strengthening the company’s position on the market. Agreeing with this way of reasoning, the study at hand focuses on corporate entrepreneurship in the context of medium-sized and growing companies. More specifically, the study examines how managers in such companies try to balance between entrepreneurial requirements and requirements which are related to a formalised and professional management. Irrespective of company size, it is often suggested that corporate entrepreneurship involves a managerial challenge and a balance between different – and sometimes – contradictory requirements. At the same time as facilitating and supporting new ideas and initiatives, there is for example also a need to maintain direction and to make existent activities and processes more efficient (cf. e.g. Kanter, 1985; Jelinek and Litterer, 1995). For the medium-sized company, there is a need to introduce more formalised systems and procedures as it grows. There is also a need to involve more people in management activities. Simultaneously, there is a call for entrepreneurial ambitions and capabilities (cf. Johannisson and Forslund, 1998). Besides being in an interesting situation, a focus on medium-sized growing companies can also be justified by referring to a gap of understanding; an issue which Rae (2001) brings forward in his article. He emphasises that there is a gap in understanding of how a new venture develops and grows into a large business. We know quite a lot about the new venture, which is at focus in the field of independent entrepreneurship. The large and mature organisation has also got a great deal of attention, by strategic management researchers. A focus on organisations which are in between those two groups can therefore be argued for.

To continue, the study focuses particularly on managers’ use of formal management control systems, such as budgeting and planning systems, performance measurement and reward systems, and project management systems. Such systems are normally associated with a formalised and professional management, which primarily aims at making existing operations more efficient – and not at creating new. Considering mentioned entrepreneurial ambitions and requirements, how do managers deal with and use management control systems? Is it possible to use these systems at the same time as being ‘entrepreneurial’? If so, how do managers balance between contradictory requirements in their use of management control systems?

These questions are elaborated on by empirically studying ‘good examples’; companies which are both growing and entrepreneurial. To be entrepreneurial means that the company is characterised by a willingness and an ability to detect and pursue new opportunities, and to introduce them on the market. It can be assumed that managers in growing entrepreneurial organisations are good at
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balancing and dealing with different and contradictory requirements. The idea is that we – by studying such ‘good examples’ – will increase our understanding about the relationship between entrepreneurship and the use of management control systems. In accordance with the above reasoning, the study at hand can briefly be described as one which focuses on management control systems in entrepreneurial organisations, and particularly in medium-sized and growing companies. It addresses the question on how – and if – managers' use these systems and if the use can be understood in terms of a balance between contradictory requirements and elements.

In the following sections of chapter 1, the focus of the study is more fully developed and argued for. I start by reviewing empirical studies on management control systems in different – what can be called – entrepreneurship-related contexts. The aim is to get an overall picture of previous research on the subject of management control systems and entrepreneurship. Another aim is to position my own study in relation to previous ones. After this review, I discuss the subject in the context of a balancing framework. Here, the theoretical contribution of the study is presented and elaborated on. The chapter thereafter also holds a presentation of research questions and purposes, clarifications of key concepts as well as an outline of the thesis.

1.2 Management Control Systems in Entrepreneurial Organisations

1.2.1 Entrepreneurship and MCS – an Impossible Equation?

Formal management control systems, such as the ones mentioned previously, can easily be perceived as a contradictory force to entrepreneurship (cf. e.g. Lövstål, 2001; Hansen, 2005). These systems seem to aim at creating order, and at making existent processes more efficient. Corporate entrepreneurship – on the other hand – involves renewal and the creation of innovations. Many management control systems are further based on ideas about stability and predictability, whereas entrepreneurship is surrounded with uncertainty, chaos and ambiguity. Different management control systems have also been accused of having negative effects on entrepreneurship. It is for example sometimes stated that such systems – e.g. reward and performance measurement systems – impede interaction and teamwork between organisational units; something

\footnote{In some headings the abbreviation MCS will be used for management control systems}
which is seen as a prerequisite for successful innovation (see e.g. Kanter, 1985). It is also suggested that such systems encourage short-term thinking and counteract experimental behaviour and the engagement in unplanned activities (see e.g. Kanter, 1985; Schuler, 1986; Cornwall and Perlman, 1990).

It is sometimes assumed that underlying contradictions between entrepreneurship and management control systems are impossible to surmount. Rather, they have to be coped with (Johannisson & Löväslå, 1995). In an established organisation, a possible way to cope with such contradictions may be to isolate entrepreneurial activities in separate departments or units, with special – or less – requirements with respect to e.g. planning and reporting. Management control systems are in this way avoided, or used to a limited extent, due to its assumed counterproductive character.

Another idea which can be found in entrepreneurship literature is that management control systems are very important in entrepreneurial organisations, just because of their contrasts to entrepreneurship. The reasoning is then that these systems may have a reasonable hampering effect on eager entrepreneurs and managers, and in this sense may work as a warning device to extremes of too much innovation (see e.g. Miller and Friesen, 1982). Still another idea is that there does not need to be contradictions between the two, since they can be surmounted. One possibility is to introduce and use systems which allow and acknowledges entrepreneurial elements. Balance scorecard models, for example, often hold a perspective which focuses on a company’s goals and ability to innovate, learn and develop (see e.g. Kaplan & Norton, 1992; Olve, Roy & Wetter, 1999). Simons’ levers of control (1995) may be seen as another control system which considers entrepreneurial aspects such as innovation, renewal and development. Simons is also a researcher who argues that management control systems actually may encourage entrepreneurship and may work as a lever for innovation, by e.g. stimulating dialogue and learning and by directing attention to strategically right things.

However, and as Simons also emphasises (1995; see also Simons, 1994), the system only and its design may not determine the effects and influence on entrepreneurship. Rather, it is how these systems are dealt with, how they are interpreted and talked about, and how they are used that matter (see e.g. Preston, 1991; Simons, 1994; Jelinek and Litterer, 1995; Simons, 1995; Löväslå, 2001). Such a view is for example reflected in the following statement on creativity:
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“Budgets and budgeting in themselves neither impede nor enhance creativity. Rather, it is what budgets mean to organizational members, what meaning budgets bring to situations, and how budgets are used to reinforce or shape the patterns of power in an organization that will impact upon the creative process.”

Preston, 1991, p. 161

There are then different opinions and suggestions regarding the relationship between entrepreneurship and management control systems. Some researchers suggest that management control systems have a negative impact on entrepreneurship. This can either be a good or a bad thing. Being a bad thing, management control systems have to be coped with in one way or the other. Other researchers – e.g. Simons (1994; 1995) – claim that these systems may encourage entrepreneurship and facilitate innovation and renewal. Furthermore, some researchers suggest that it depends on the system, if management control systems have positive or negative effects on entrepreneurship. Others stress that it is how these systems are interpreted, talked about and used, which determine if they are good or bad from an entrepreneurial perspective.

The point of departure in this study is that management control systems are tools which managers use in different control processes, such as planning and decision-making. However, the character of the use may vary between organisational settings, between different control processes, and between managers. Therefore, and in order to understand the relationship between entrepreneurship and management control systems, we have to study management control systems in their contexts and we have to understand how they are used and why. What this means for the study will be elaborated on later on in this chapter, as well as in chapter 3 which deals with methodological issues. But before that, we will look into some empirical studies on the use of management control systems in contexts, which are often associated with entrepreneurship in one way or the other.

1.2.2 MCS in Entrepreneurship-Related Contexts

There are a number of studies that examine the design and use of management control systems in – what could be called – entrepreneurship-related contexts, i.e. such business contexts in which entrepreneurship are claimed to be found. There are for example studies that investigate management control systems in small organisations (e.g. Bergström & Lumsden, 1993; Andersson, 1995), medium-sized businesses (e.g. Gyllberg & Svensson, 2002), family businesses (e.g. Florin Samuelsson, 2002), and growing businesses (e.g. Thorén, 2004; Davila, 2005). Since these types of businesses often are associated with entrepreneurship, some of the studies also touch upon the issue of management
control systems and entrepreneurship. Bergström & Lumsden (1993) – for example – classified small business managers with an entrepreneurial leadership style as high users of management control systems, such as budgets and accounting reports. Entrepreneurial managers – together with administrative managers – used mentioned tools to a large extent, in the study. Managers who were heavily involved in operative work, so called ‘producers’, used these systems to a less extent, and were therefore classified as low users. Accordingly, the study suggests that entrepreneurial small business managers use and appreciate traditional control systems, such as the ones investigated in Bergström and Lumsden’s study. However, and as indicated, this group of studies only briefly touch upon entrepreneurship, if mentioning it at all.

Bergström and Lumsden’s findings have recently been confirmed by another study (Hansen, 2005), which represent a second type of study – those focusing primarily on the entrepreneur (see also e.g. Collier, 2005). Hansen’s study, which addresses the entrepreneurs’ use of accounting, indicates that business managers – with entrepreneurial capacities – find traditional management control systems valuable and therefore actively use them. This kind of findings thereby suggests that management control systems may not necessarily be in conflict with entrepreneurship and entrepreneurial ambitions.

Hansen’s study (2005) is further an example of a study which brings some insights into how management control systems may be used by entrepreneurs. Hansen found for example that formal accounting reports were similarly used by the two entrepreneurs, despite extensive differences with respect to organisational context and accounting practice. Both entrepreneurs used the reports actively and for traditional purposes, such as decision-making, financial control, organisational learning, and organisational control. The reports are also discussed, thereby contributing to the formation of norms and rules. Hansen further found that cognitive accounting models play an important role in the use of formal accounting reports. A cognitive model reflects the entrepreneur’s idea of what variables are important and possible to influence. Such models are used in interplay with formal accounting, and when reading, talking about, and interpreting formal accounting reports.

A third group of studies, of significance here, is dealing with management control systems in R&D departments (e.g. Abernethy & Brownell, 1997; Berglund, 2002) as well as in innovation processes (e.g. Davila, 2000; Bonner, Ruekert & Walker, 2002). In these studies, the reasoning is often similar to the discussion I present in previous sections. There is in other words an idea about a balance between e.g. control and innovation, and an idea that management control systems may be detrimental to entrepreneurship and innovation if wrongly used. Davila (2000), as one example, discusses in these terms in the introduction of his article. However, and after finding a positive relationship
between product development performance and the use of some management control systems, Davila ends his article by concluding:

“Even if it has been argued that formal systems may be detrimental, the results in the study suggest a more complex picture.”

Davila, 2000, p. 404

These studies have a somewhat different empirical entity than I have, when focusing on the individual, on a process or on a single department. As has been indicated, this study addresses the organisation as a whole, which means that it tries to capture management control processes and the use of management control systems in a more comprehensive way. In this sense, my study is similar to the studies presented first; those that focus on e.g. small firms or family businesses. However, entrepreneurship has a more prominent position in my study and can even be described as the key issue. It means for example that the companies which are in focus are not only growing and of medium size. They are also entrepreneurial, as clarified in the introductory section. As indicated, small businesses are not per definition good at entrepreneurship. Davidsson (2004), for example, claims that small businesses are often very stable entities, showing little renewal and development progress (see also Landström & Johannisson, 2001). The same can be said about medium-sized businesses, family businesses, as well as some growing firms.

1.2.3 MCS in Prospector-Type Firms

There are also a number of studies which focus on entrepreneurship and management control systems, from a strategic management perspective. In these studies, entrepreneurship is often treated as a strategic type, together with a number of others. The works performed by Miles and Snow (1978/2003), Miller and Friesen (1982), and Simons (1987; 1990) are well-known examples of such investigations, often recurring in reviews on strategic-oriented studies on management control systems (see e.g. Langfield-Smith, 1997; Kald, Nilsson & Rapp, 2000). Miles and Snow (1978/2003) introduced in their early work the prospector type of organisation; an organisation whose “prime capability is that of finding and exploiting new product and market opportunities” (ibid., p. 55). Based on an empirical investigation, they suggest that prospectors differ from – what they call – defenders with respect to e.g. the planning system, performance appraisal and control system. Regarding planning systems, Miles and Snow claim that planning – in prospector-like firms – is broad and not finalised before action is taken. It can thus be argued that action proceeds planning; a contrary sequence to most planning models. They further argue that performance in this kind of company is measured based on effectiveness (to do
right things) and not efficiency (to do things right). Accordingly, performance is
determined by results – output – and not primarily by input. It means that cost
control and cost monitoring are of less importance in prospector-like firms than
in defender-like ones. The control system is further decentralised and based on
short-looped horizontal information systems. Prospectors seem to perform
control through coordination rather than on formal top-down controls. In their
study, Miller and Friesen (1982) compare the entrepreneurial firm – having
similarities with Miles and Snow’s prospector firm – with the conservative one.
Interesting and somewhat unexpected, they found only small differences
between the two samples with respect to controls, decision-making analysis,
scanning and planning activities when analysing the data descriptively.
However, when making correlation analysis between mentioned variables and
innovation some differences appear. The relationship between organisational
control and innovation was negative in the entrepreneurial sample, and positive
in the conservative one. The same relates to scanning, even if not showing a
significant difference. They suggest that control systems in entrepreneurial
organisations may be used for monitoring innovative excess; something which
would explain this negative correlation. Their findings further suggest that the
use of control systems may be associated with more innovation, at least in –
what they call – conservative firms. Simons (e.g. 1987; 1990), lastly, has
probably conducted some of the most comprehensive studies on management
control systems and entrepreneurship, as a strategic type. In one of his studies
(1987), he examines differences in accounting control systems between
prospectors and defenders; thus using Miles and Snow’s typology of strategic
types. Among other things, he found that prospectors used their control system
more intensively than defenders. He also found that high performing
prospectors placed a great deal of importance to control systems, such as
forecasting data, tight budget controls and careful monitoring of outputs. His
findings are contradictory to the suggestions of Miles and Snow (1978/2003),
who described the prospectors as having difficulty in using tight and
comprehensive planning systems. In Greve (1999) – a more recent study –
firms with different types of business strategies are studied and compared,
regarding their management accounting systems. His study showed among
other things that firms with a product development strategy – similar to Miles
and Snow’s prospector type firm – differed regarding their management
accounting systems. None of the four categories of management accounting
systems, which Greve identifies and describes, stands out as more common in
this type of company. If looking at medium-sized companies only, which are at
focus in this study, a somewhat different picture emerges. Here, ‘simple systems’
dominated, followed by ‘traditional systems’ characterised by e.g. rather well-
developed planning systems. Based on these findings, Greve concludes that
these firms do not seem to choose the kind of management accounting system
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which would support their strategy best. In the case of product development firms, the most appropriate system would – according to the study – be the ‘focal system’; a system which is focused on product- and customer accounting.

These studies provide some interesting findings; and some of them – particularly findings from Miles and Snow’s and Simons’ studies – have similarities with own observations from a previous study (see next section). However, and as e.g. Langfield-Smith (1997) stresses, there is still more to do and “significant scope for further research studies” (ibid., p. 221). She claims for example that findings from previous research are tentative and contradictory. She also emphasises that many studies – as the ones mentioned above – give little empirically based explanation and reason for the findings. They do in other words not answer the question why it looks as the findings suggest. Therefore, she asks for more case study research which offers good potential for deeper examination. In line with Langfield-Smith’s reasoning, a case study approach makes it possible to explore the interaction between the use of management control systems and entrepreneurship, instead of mainly identifying a fit between these systems and the entrepreneurial strategy type.

1.2.4 MCS in an Entrepreneurial Organisation

In this section, I will present one particular study – ‘the Roxtec-study’ – which addresses and empirically studies the relationship between entrepreneurship and management control systems in a medium-sized, fast-growing company. The study, which can be found in Lövästål (2001), constitutes an important basis for the thesis in hand. Observations from that study explain – to some extent – the direction and focus of the study presented here.

The point of departure for conducting the Roxtec-study was the idea, previously described, that that the use of traditional management control systems has a destructive impact on entrepreneurship and therefore have to be coped with. The aim of the study was to study managers’ perception and use of this kind of systems within the company Roxtec; a company which also was defined as an ‘entrepreneurial organisation’. Observations from the study caused some wondering and findings were not as expected. First of all, the interviewees did not express any negative feelings concerning any of the systems, at least not as the systems were currently used within management control processes. Interviewed managers – at most – expressed a worry that these systems may be a hindrance for entrepreneurial ambitions, if differently used. Rather, the managers very much appreciated the budgeting and reporting system, for example. They even suggested that these systems explained Roxtec’s impressive development. And when analysing managers’ way of talking about and using management control systems, the systems even seemed to reinforce and support entrepreneurial activities and ambitions. Goals and ambitions that appeared to
be impossible to fulfil were – through the use of e.g. the budgeting system – made into possible endeavours. Thereby, Roxtec’s budgeting system facilitated actions instead of being a hindrance for action. The managers’ way of reading accounting reports – with a strong focus on revenues – were further argued to delay maturity and prevent them from becoming ‘an administrative company’. This suggests that accounting reports and particularly information about revenues and sales were important for reinforcing the identity as a growing and entrepreneurial company. So, when talking to managers at Roxtec, the use of management control systems when planning, making decisions and when controlling the business and the organisation did not seem to hinder entrepreneurship. Rather, the systems facilitated and supported such things as creativity, action, learning and risk-taking; aspects that are often discussed in relation to entrepreneurship (see e.g. Johannisson, 1992a; Gaddefors, 1996).

Another interesting reflection from the Roxtec-study was that management control practices and the use of management control systems could be understood as both sensible and paradoxical, at the same time. On the one hand, the use of management control systems in Roxtec made sense and seemed to support entrepreneurship. On the other hand, it was perceived and described as paradoxical (see Lövstål, 2001, chapter 6). For example, the interviewees explained that Roxtec’s development was highly planned, and they emphasised the importance of having and using plans and budgets. At the same time, they stressed that they found it extremely difficult to plan in advance and to prepare budgets, for example due to their ability to make quick decisions and to take advantage of new opportunities. When trying to understand this – and similar paradoxical statements – it was suggested that the managers at Roxtec had managed to develop a use and an understanding of management control systems, which represented two different sides of management control. Managers’ use and understanding of management control systems had – in other words – a touch of ‘both-and’; an issue which will be returned to in the thesis.

An overall aim of this study is to broaden the Roxtec-study empirically, and deepen it theoretically. An aim is to empirically study other companies; companies that are similar to Roxtec in the sense of historically showing a track-record of entrepreneurship and in the sense of being a growing ‘SME’2. Considering this, the companies which are included and observed in the empirical study will be compared with Roxtec, in order to increase our understanding of the use of management control systems in entrepreneurial organisations. Another aim is to deepen the Roxtec-study theoretically, by relating observations to a corporate entrepreneurship framework that reflects a managerial balance between opposing elements. This will be developed in next.

2 Small and medium-sized enterprise
1.3 The Use of MCS in a Balancing Framework

When striving for corporate entrepreneurship, management becomes an intriguing issue. As e.g. Davidsson (2004) stresses, no change takes place without human actors. It is individuals who initiate new ideas and take action with the aim of pursuing these ideas. But, institutions and organisational structures may facilitate or hinder such initiatives. Considering this, management – being a link between the organisation and its individuals – plays an important role for facilitating entrepreneurship and for creating development and renewal. This is emphasised by e.g. Stevenson and Jarillo (1990) when they describe the 'crux' of corporate entrepreneurship. According to them, the crux is that an "opportunity for the firm has to be pursued by individuals within it" (ibid., p. 24). The ‘crux’ of corporate entrepreneurship is also reflected upon by Chung and Gibbons (1997), who add that entrepreneurial skills are not universally available in an organisational context. Instead, they have to be created and supported. It means that individuals’ interests have to be aligned, employees have to be motivated to organise and resolve uncertainties, and they have to be encouraged to cooperate in the creation of new resource combination, among other things (ibid.; cf. also Jelinek and Litterer, 1995). This requires management.

Besides being important, management in the context of corporate entrepreneurship is often presented as a difficult task, and sometimes even as a contradiction to entrepreneurship. Hjorth and Johannisson (1998), for example, present management and entrepreneurship as two ideologies which are based on very different rationales and assumptions. They suggest that management focuses on the administration of ‘what is’, and thereby emphasises such things as present structures, well-defined roles and tasks, as well as formal contracts. Entrepreneurship on the other hand deals with the organising of ‘what could be’ and puts different aspects in the limelight, e.g. new processes, personal networking, and trust (see also Hjort and Johannisson, 1997; Johannisson and Forslund, 1998). In line with their reasoning, entrepreneurship and management are fundamentally different, and are assuming hard to combine in the way which is tried in the context of corporate entrepreneurship. A similar contradiction related to corporate entrepreneurship is brought forward by Jelinek and Litterer (1995). They explain that entrepreneurship is about doing new things, whereas the existing organisation signals control, order and stable replications of the past. They also claim that entrepreneurship is inconsistent with traditional management and organisation theories. Therefore, we need new theoretical perspectives and new management models, they argue. Also Stevenson and Jarillo (1990) express the
idea that entrepreneurship needs a different kind of management; different from traditional management. They write:

“…for entrepreneurial management may be seen as a ‘mode of management’ different from traditional management, with different requirements of control and rewards systems, for instance.”

Stevenson & Jarillo, 1990, p. 25

According to them, entrepreneurship involves a special mode of management, a mode which they label ‘entrepreneurial management’. Also others have used the term ‘entrepreneurial management’, in order to emphasise that we are dealing with a different kind of management; a management practice which acknowledges and supports such things as opportunity-seeking, risk-taking and innovative activities (see e.g. Drucker, 1985; Kanter, 1985; Rae, 2001).

There are also a number of attempts to describe and conceptualise a type of management which acknowledges and supports entrepreneurship. In their article, Jelinek and Litterer (1995) suggest that management in entrepreneurial organisations can be understood in terms of shared management, alertness for anomalies, and ambiguity absorption. Kanter (1985) argues that entrepreneurial management has such features as visionary leadership, planning flexibility, and interfunctional cooperation. She also stresses that entrepreneurial management has to be balanced with an administrative type of management. These two kinds of management are in tension and may interfere with each other. Still, they are both needed in established organisations in order to get both innovation and efficiency (see also e.g. Stevenson, 1983; Cornwall and Perlman, 1990; Rae, 2001). In some other articles, management for entrepreneurship is not described in terms of a balance between two modes of management, but as a balance between opposing elements. In Schuler’s article (1986), for example, a balance between loose and tight is mentioned. Herbold (2002) – previously a chief operating officer at Microsoft – asks for a proper balance between creativity and discipline. Eisenhard, Brown and Neck (2000) on their part depict entrepreneurship as a balance between order and chaos, as well as between a past and a future orientation.

These – and similar – conceptualisations are not directed towards management control and the use of management control systems exclusively, which is in focus in this study. But they do acknowledge, assume and often elaborate on a balance between contradictory requirements, as the one described in the introductory section. Besides, entrepreneurship has also a prominent position in these conceptualisations since entrepreneurship is assumed to be an overall aim of management. Many of these models also hold entrepreneurial elements, such as creativity, risk-taking, and visionary thinking.
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Considering this, these management ideas and models which are to be find in corporate entrepreneurship literature, may be helpful when trying to understand the use of management control systems in entrepreneurial organisations. The idea is therefore to take these ideas and models as a point of departure for developing a framework of management control, which captures a balance between opposing elements and which highlights entrepreneurial ambitions and aspects. By using such a balancing framework when analysing and interpreting managers’ use of management control systems I hope to increase our understanding of this use. Considering previous review of empirical studies, it can be argued that we already have some knowledge about what management control systems are used in entrepreneurial organisations, and also to some extent how these systems are used. However, it can be argued that we have limited knowledge about why these systems are used in described way (cf. Langfield-Smith, 1997). We have also limited knowledge about the character of the use and how – and if – the use influences upon entrepreneurship. Hopefully, the use of a balancing framework of management control – originated from corporate entrepreneurship literature – will lead to an increased understanding of managers’ use of management control systems in entrepreneurial organisations.

1.4 The Aim of the Study

An overall aim of the study is then to increase our understanding about managers’ use of management control systems in entrepreneurial organisations. As stressed in previous sections, we have a limited knowledge about how management control systems are used in entrepreneurial organisations, what characterises the use, and why these systems are used in the described way. There also seems to be an intriguing tension between the use of management control systems and entrepreneurial ambitions and activities. Whereas the use of management control systems seems to push organisations towards stability and predictability, entrepreneurship requires ambiguity, flexibility and new thinking.

As also has been declared, the study directs its attention particularly to growing medium-sized companies, since they are in an interesting situation. At the same time as there is a need for entrepreneurship in these companies, there are also pressures towards formalisation and a more impersonal form of management. An increased use of management control systems is one aspect which normally comes with growth, and with professional management.
In line with the above reasoning, I pose the following research questions:

- How do managers in medium-sized and growing entrepreneurial companies use management control systems?
- If, and if that case, why do managers use management control systems?
- Does the use of management control systems in these companies reflect a management control balance between opposing elements? If so, what characterises this balance? What is balanced? And what role has management control systems in the balance?

It can further be clarified that the overall aim will be fulfilled and research questions answered by:

- describing management control systems in medium-sized and growing entrepreneurial organisations.
- empirically studying managers’ use of these systems, and their motives for using – and not using – them.
- developing a balancing framework of management control.
- analysing and interpreting the use of management control systems in accordance with the framework.

These four items are the purposes of the study. Regarding the first one, I see it as a prerequisite for fulfilling the following ones. Without knowledge about the systems, it will be difficult to examine and understand the use. The second purpose stresses the empirical research and the main object of the study – the use. This purpose does not only ask for the use, but also for managers’ motives for using management control systems. The reason for including motives is of course related to the question of why, among the research questions. However, managers’ motives and explanations are also important when analysing the use of management control systems and for getting a deeper understanding of it. To continue with the last two purposes, I have argued that a balancing framework of management control – originated from corporate entrepreneurship literature – most likely will increase our understanding of the use of management control systems in entrepreneurial organisations. Therefore, one purpose of the study is to develop such a framework. Another one is to use the framework in the work of analysing and interpreting the empirical material. These two last purposes reflect a theoretical contribution of the study.
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1.5 Clarifying Key Concepts

1.5.1 Entrepreneurial Organisations

As has been clarified, this thesis deals with entrepreneurship in established business contexts; a phenomenon which is often called corporate entrepreneurship. A common idea regarding corporate entrepreneurship is that it relates to the phenomenon whereby entire organisations act in entrepreneurial manners. Such a view is for example adopted by Covin and Miles (1999) who use the term corporate entrepreneurship to refer to "cases where entire firms, rather than exclusively individuals or other ‘parts’ of firms, act in ways that generally can be described as entrepreneurial" (p. 49). A similar view is also found in e.g. Stevenson and Jarillo (1990) who argue that corporate entrepreneurship relates to "the ability of corporations to act entrepreneurially" (p. 23). When approaching entrepreneurship in this way, and as a firm-level phenomenon, it is possible to talk in terms of ‘entrepreneurial organisations’; something which is often done in literature on corporate entrepreneurship. However, it may be hazardous to talk in such terms. First of all, such a terminology indicates that there is also ‘non-entrepreneurial organisations’ and that it is possible to distinguish between them. Some researchers would argue that most organisations are entrepreneurial, to some degree. It is not a question of either-or, but a question of varied gradations (see e.g. Brazeal and Herbert, 1999). Still other may argue that organisations are entrepreneurial in some situations, but not in others. Gartner – for example – argues that entrepreneurship is not a fixed state of existence (see e.g. 1988, 1993). In his view, entrepreneurship is related to processes and situations which involve the creation and formation of a new organisation. Accordingly, an organisation could be claimed to be entrepreneurial when being in such situations of organisational creation.

A second reason for finding it hazardous to use this kind of terminology is that there are no general accepted criteria on how to identify and describe ‘the entrepreneurial organisation’. It is therefore not evident what it means to ‘act entrepreneurially’ and what characterises an ‘entrepreneurial organisation’. Here, the opinions differ (cf. Covin & Miles, 1999). Sometimes entrepreneurship in this context is associated with a particular orientation (e.g. Lumpkin & Dess, 1996) and at other times with a managerial mode (e.g. Stevenson & Jarillo, 1990). Still others suggest that ‘entrepreneurial organisations’ are those that are strategically focused on innovations (e.g. Miller and Friesen, 1982). Brazeal and Herbert (1999), as a last example, discuss in terms of commitment to entrepreneurship and entrepreneurial activities. Thus, according to them, an entrepreneurial organisation is one which is highly focused and committed to entrepreneurship.
Despite its risk, I explicitly state that I address the ‘entrepreneurial organisation’ and that I want to increase our understanding about the use of management control systems in entrepreneurial organisations. But what do I mean by ‘entrepreneurial organisations’? And – in my view – what does it mean to ‘act entrepreneurially’?

I take a common definition of entrepreneurship as a point of departure for identifying the entrepreneurial organisation. In their article, Stevenson and Jarillo (1990) define entrepreneurship as the “process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control” (p. 23). They further clarify that it involves the detection of an opportunity, a willingness to pursue it, and a belief that it can be successfully exploited. Similar definitions – centering around opportunities – can also be found in more recent articles and books. Shane and Venkataraman (2000) for example suggest that entrepreneurship can be understood as the process in which opportunities are discovered, evaluated and exploited. Referring to e.g. Shane and Venkataraman (2000), Landström (2000) expresses a similar view of entrepreneurship when he suggests that entrepreneurship can be seen as the detection, the organising, and the exploitation of opportunities.

In the context of established businesses, it can be argued that such a process of pursuing opportunities often takes the form of innovation. In other words, to pursue opportunities within established businesses is similar ‘to innovate’. The presence of innovation is also one attribute of the entrepreneurial organisation which many researchers agree upon (Covin and Miles, 1999). However, and as Covin and Miles claim, the presence of innovation may not be sufficient to label an organisation entrepreneurial. Rather, innovations also have to be actively used for rejuvenating and redefining its market and the organisation.

Based on above reasoning, it can be suggested that an entrepreneurial organisation is an organisation which is characterised by an ability and willingness to pursue opportunities – to innovate – in order to vitalise and redefine the organisation, its market and the industry. This is the meaning I adhere to and that reflects my understanding of the entrepreneurial organisation. A similar view is reflected in Henri (2006) even if using a somewhat different vocabulary. According to Henri, “[corporate] entrepreneurship refers to the ability of the firm to continually renew, innovate, and constructively take risks in its markets and areas of operation” (p. 4). Also he stresses that corporate entrepreneurship reflects an ability to innovate. His definition also emphasises that it is an activity which aims at renewing and altering the market and/or the organisation. By adding “continually”, he further stresses that it is not one isolated affair, but a recurrent activity.
1.5.2 Management Control Systems

In previous sections I have declared that the study pays particular attention to management control systems. An aim is to increase our knowledge about the use of management control systems in entrepreneurial organisations.

A suitable point of departure for discussing my understanding of management control systems is Simons’ definition of the same (1995). Simons defines management control systems as “the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities” (ibid., p. 5). This definition emphasises several features of a management control system which I agree upon. First of all, it stresses that we are dealing with a formal system; a system where structures and procedures are based on established rules and forms. Secondly, it is an information-based system. It holds information that is used for different purposes. An overall purpose is further included in the definition, since it clarifies that management control systems are used to maintain or alter patterns of organisational activities. Such a broad description includes such management processes that are investigated in my study, e.g. planning, decision-making, and organisational control. As Simons (1995) himself stresses, it further includes both goal-oriented activities and unanticipated innovation; a clarification which may be important in the context of corporate entrepreneurship. Lastly, the definition also stresses that we are concerned with systems that are used by managers. It means that it excludes such systems which are used by workers, for controlling operative activities. Similar definitions have also been suggested by other researchers. Otley (1999) – as one example – describes management control systems in the following way:

“Management control systems provide information that is intended to be useful to managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behaviour.”

Otley, 1999, p. 364

Also his description stresses that management control systems provide information that is used by managers with the aim of altering or maintaining activity or behavioural patterns. Accordingly, the systems which are at focus here fits neatly into the description presented by Simons, as well as by Otley. However, neither description reveals anything about the characteristics of the information. Traditionally, management control systems have been closely associated with accounting information (see e.g. Otley, 1994; 1999). Such a parallel has been criticised for being too narrow in focus and for excluding many control systems (e.g. Otley, 1994; Langfield-Smith, 1997). It has
therefore been suggested that we should approach management control and management control systems in a broader sense, including other forms of controls and other kinds of information. Simons (1995) adopts these ideas in his framework when including such written documents as credos, mission statements and codes of conduct. Management control systems in his view also comprise formal systems which are based on qualitative information. Even if I acknowledge the importance of paying attention to such systems, the main focus in this thesis is not on this kind of systems. I have a more traditional approach to management control systems, addressing mainly – what could be classified as – accounting-based ones. However, a recent debate in management accounting literature concerns the classification into financial and non-financial information. Traditionally, accounting information has been equated with monetary and financial information, mainly (cf. e.g. Samuelson, 1990). However, and in line with e.g. new control models and better information systems, a wider view of accounting information has been suggested, including also non-financial information. Accordingly, many more modern views of management control systems often include both financial and non-financial measures and systems (see e.g. Ax, Johansson & Kullvén, 2001; Lindvall, 2001).

I – like e.g. Nilsson (1997) – have chosen to use this wider definition of accounting information. Consequently, we can conclude that I focus on systems which provide mainly quantitative information, however of both financial and non-financial character. Examples of relevant subsystems – which hold discussed features and which may be included in the study – are budgeting and reporting systems, performance measurement systems, reward systems, project management systems, and systems for cost estimates and cost control.

Management control systems are often discussed in terms of design and use; something which e.g. Nilsson does (1997; see also e.g. Ramberg, 1997; Berglund, 2002). To start with design, it is further possible to distinguish between two different aspects; the structure and the process of a management control system (Nilsson, 1997; Berglund, 2002). The structure relates to a system’s tangible components, such as subsystems, budget forms, type of measurements and models for cost estimates. The process aspect directs attention towards procedures and routines which go with these structures, e.g. formal procedures and routines related to budget preparation and budget control. To continue with the use of management control systems, it is often discussed in terms of purposes; for what purposes are the systems used? Thorén (1995), for example, identifies a number of different purposes behind the use of monthly reports. Some of them are of more traditional character, such as performance evaluation and decision-making. However, Thorén also concludes that monthly reports are used for learning, in negotiation processes, and in the creation of meaning (a symbolic use). Such purposes have also been discussed in terms of functions (e.g. Mellemvik, Monsen & Olson, 1988, who also make a
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distinction between indented and assigned functions; see also Johansson & Östman, 1992; Ramberg, 1997) or roles (e.g. Hansen, 2005). Another possibility is to address the character of the use in certain processes, rather than examining for what purposes they are used and in what organisational processes. When having such a focus the following kinds of questions are of interest: Who uses observed systems and tools? When are they used? Are they used in a tight or loose way? Are they used in a formal or informal way?

These two perspectives on the use of management control systems are not mutually exclusive, but they have somewhat different emphasis and focus. This study leans more towards the last perspective, since it studies how management control systems are used in management control processes, such as planning, decision-making, and organisational control. When having such a focus, the use aspect – in some respects – overlaps the process perspective, which was discussed in relation to design. A clear borderline between design and use is not possible and meaningful to make. Besides, it can be argued that we in order to understand the use of a management control system also have to outline its design, as argued in section 1.4. Accordingly, it can be concluded that this study investigates both the design and use, wherever the borderline goes. It is further directed towards the character of the use in management control processes.

It can further be clarified that there is a research tradition in the field of management accounting and control, where accounting and control systems are approached from an ethnographic or an ethnomethodological perspective (see e.g. Puxty, 1993). Within this tradition, the focus is on how accounting and control systems are used in real-life situations. It means that the use of accounting information and control systems are studied in micro-situations and often by using participant observations (e.g. Solli & Jönsson, 1997). Here, ‘use’ relates to routines, habits and to everyday activities; a kind of practice which is uncovered by penetrating normal situations of interaction or work (cf. Puxty, 1993). This is not the meaning of ‘use’ in this study. Instead I try to capture the character of the use in companies and by managers, in a more comprehensive and overall way.

1.6 The Outline of the Thesis

In total, the thesis holds nine chapters. In this first chapter, the study has been introduced. I have presented the underlying puzzle, clarified the focus of the study, reviewed empirical studies and positioned my study in relation to those. I have discussed possible contributions of the study, presented my research questions and purposes, and clarified key concepts. In next chapter, a framework is developed which later will be used for analysing and interpreting the use of management control systems. When developing the framework I use
– as a point of departure – management ideas and models, which are found in corporate entrepreneurship literature. Therefore, this second chapter starts by describing and elaborating on some of these management ideas and models. Thereafter, I develop – what I call – ‘a balancing framework’. In the third chapter methodological considerations are discussed and methodological decisions are presented and argued for. The discussion and presentation deal with both overall perspectives and approaches, as well as with the practical work of the study.

Thereafter, two chapters follow which are based on observations from one of the companies which is included within the study; a company which is called ‘Soft Tel’. Within chapter 4, Soft Tel and its management control system is described. In chapter 5, managers’ use of management control systems is analysed and interpreted in accordance with the developed framework. In the end of this chapter, I also make some company-specific conclusions regarding the character of the use, in respect of a balance between opposing elements. Two similar chapters then follow, addressing the second company in the study – ‘Family Tech’. Accordingly, chapter 6 is merely a descriptive one, describing Family Tech and its management control system. In chapter 7, the use is analysed and interpreted in a similar way as with the Soft Tel case. In chapter 8, I try to go beyond the single case, by looking for patterns and by elaborating on differences and similarities between the two companies. Here, I also return to the Roxtec-study, since it provides a third picture of the use of management control systems in entrepreneurial organisations. In this chapter I also discuss my framework, in relation to observations and interpretations regarding the use of management control systems. Did the framework help us understand?

In the last chapter – the ninth one – I bring forward some main conclusions from the study. I also discuss empirical and theoretical contributions, as well as some practical implications. In this chapter, some possible directions for future research are also presented.
2 Corporate Entrepreneurship, Management and a Balancing Framework

2.1 Introduction

The aim of this chapter is to develop a framework which can be used when analysing and interpreting the use of management control systems in entrepreneurial organisations. In previous chapter, I suggested that corporate entrepreneurship literature can be useful in this work, and particularly those conceptualisations of management which are to be found there.

Management in general is a debated topic within the field of corporate entrepreneurship. Some researches – like Stevenson and Jarillo (1990) – suggest that management is the key issue for the entrepreneurial organisation. As mentioned earlier, Stevenson and Jarillo (1990) even suggest that management is what corporate entrepreneurship is all about, when relating entrepreneurship with a mode of management (cf. also Drucker, 1985; McGrath and MacMillan, 2000; Wickham, 2004). Still other researchers argue that management does not incorporate entrepreneurial and entrepreneurial elements. Hjorth and Johannisson (1998) express such an opinion when approaching management and entrepreneurship as two different ideologies (see further in 2.2.1). Also Jelinek and Litterer (1995) express a similar view when discussing entrepreneurship in relation to traditional management theories and practices.

Even if these authors express somewhat different opinions regarding the relationship between management and corporate entrepreneurship, a general view seems to be that entrepreneurship in a corporate context involves tensional requirements and opposing elements. This is in line with the reasoning in chapter 1.

As briefly mentioned in section 1.3, conceptualisations on management and entrepreneurship – hinted at here – do not address management control or the use of management control systems exclusively. They approach management more broadly, even if sometimes including aspects related to management control and management control systems. Still they may be useful when developing a balancing framework for management control. Not only do these conceptualisations capture and concretise assumed tensions. They also incorporate entrepreneurial ambitions and elements; an aspect which is
important when analysing the use of management control systems in entrepreneurial organisations.

Considering these ambitions, I start by presenting some conceptual models capturing both management and entrepreneurship; often in terms of a dichotomy. In relation to these presentations, I also bring forward some criticism towards the models. Thereafter, I clarify how they are used and what implications the criticism has when – in next – developing a framework. In the section where the framework is developed, I discuss and specify management control processes, management control dimensions, as well as opposing elements. The chapter also holds a discussion on the notion of duality and similar dual concepts, such as dilemma and paradox. These notions represent different ways of dealing with tensions and opposing elements. The chapter ends with a visual figure of the developed framework.

2.2 Corporate Entrepreneurship and Management Conceptions

2.2.1 Entrepreneurship and Management as Ideologies

Studying family businesses, Johannisson and Forslund (1998) make a distinction between entrepreneurship, management and paternalism. They present these dimensions as ideologies. Hereby, they want to stress that these dimensions are something deeper than functions that can be chosen among. They are more of a lens through which we create meaning. An ideology does in Johannisson and Forslund’s own words “determine what is right and wrong, important and unimportant and further how you [should] act…” (1998, p. 13, my translation). Among these ideologies, they claim that management – or managerialism – is dominant within the official business discourse, and consequently also the one that determines what is seen as normal and important. Hjorth and Johannisson (1997; 1998) discuss in similar terms even if excluding paternalism and only contrasting entrepreneurship and management. Since managerialism is the dominant one, they also indicate that entrepreneurship is marginalised within management-approaches and in notion such as ‘entrepreneurial management’. So, even if speaking in terms of an entrepreneurial management philosophy or an entrepreneurial management mode, it can still – in Hjorth and Johannisson’s way of reasoning – be based on a management ideology.

In Hjorth and Johannisson’s model (1997), which has been used and developed in e.g. Hjorth and Johannisson (1998) and Hjorth (2001),
entrepreneurship and management represent two different approaches of organising. A fundamental difference between them is that entrepreneurship aims at organising for renewal, whereas management represents an organising for – what they call – stewardship (Hjorth and Johannisson, 1997). They clarify this by explaining that managerialism focuses on the administration of ‘what is’, whereas entrepreneurialism deals with the organising of ‘what could be’. These two approaches to organising are further developed and discussed in relation to a number of organising dimensions, and summarised in models as the one presented in table 2-1:

**Table 2-1: Organising for Management and Entrepreneurship**

<table>
<thead>
<tr>
<th>Reason for organising</th>
<th>Management</th>
<th>Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions elucidate</td>
<td>Stewardship</td>
<td>Renewal</td>
</tr>
<tr>
<td>Interpersonal</td>
<td>Present structures</td>
<td>New processes</td>
</tr>
<tr>
<td>communication</td>
<td>Monologue</td>
<td>Dialogue</td>
</tr>
<tr>
<td>Driving force</td>
<td>Economic rationality</td>
<td>Passion for meaning creation</td>
</tr>
<tr>
<td>Success is</td>
<td>Role- and taskdefined hierarchies</td>
<td>Personal networking</td>
</tr>
<tr>
<td>accomplished through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time focus</td>
<td>The existing</td>
<td>The becoming</td>
</tr>
<tr>
<td>Organising context</td>
<td>Institutions, formal boundaries</td>
<td>Potential space, perforated boundaries</td>
</tr>
</tbody>
</table>

(Source: Hjorth & Johannisson, 1998, p. 95; cf. also Hjorth & Johannisson, 1997)

In Johannisson and Forslund (1998), a similar conceptualisation is presented. As mentioned, they have paternalism as a third ideology; an ideology which seems relevant when studying family businesses (see also Florin Samuelsson, 2002). If focusing on management and entrepreneurship only – which are at focus here – Johannisson and Forslund’s model holds and portrays those dimensions which are presented in table 2-2.
Table 2-2: Dimensions and Content of Managerialism and Entrepreneurialism

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Managerialism</th>
<th>Entrepreneurialism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focal actor</td>
<td>The executive manager</td>
<td>The entrepreneur</td>
</tr>
<tr>
<td>Secondary actors</td>
<td>Other managers</td>
<td>External actors</td>
</tr>
<tr>
<td>The nature of existence</td>
<td>Risk secured</td>
<td>Ambiguous</td>
</tr>
<tr>
<td>The nature of time</td>
<td>The present as a mirror of the future</td>
<td>Existence as continuous movement</td>
</tr>
<tr>
<td>The spatial nature</td>
<td>Global</td>
<td>Local and global</td>
</tr>
<tr>
<td>The nature of operations</td>
<td>Mechanistic</td>
<td>Organic</td>
</tr>
<tr>
<td>Internal relations</td>
<td>Conditioned by positions</td>
<td>Trust, commitment</td>
</tr>
<tr>
<td>Business relations</td>
<td>Professional</td>
<td>Personal</td>
</tr>
<tr>
<td>Control of resources</td>
<td>Formal contracts</td>
<td>Trust</td>
</tr>
<tr>
<td>Prioritised competence</td>
<td>Formal competence</td>
<td>Qualified experience</td>
</tr>
<tr>
<td>Success criteria</td>
<td>Profit</td>
<td>Secured liquidity</td>
</tr>
</tbody>
</table>

(Source: Johannisson and Forslund, 1998, p. 27; see Florin Samuelsson, 2002, p. 111, for the English version)

Dimensions and associated contents in the entrepreneurial and managerial ideology respectively, can of course be questioned and debated (cf. Florin Samuelsson, 2002). They have also been somewhat differently described in the works referred to. However, and irrespective of the exact description, the management ideology breathes assumptions which traditional theories on decision-making and planning are based upon. Managerialism – as it is described by the authors – seems to lean on assumptions about economic rationality, predictability and stability; assumptions which e.g. Normann (1975/1999) associates with a traditional goal view. Such a view – and related assumptions – has been questioned for quite a while and from several directions (see e.g. Alvesson and Willmott, 1996). The above model – and similar ones – can therefore be criticised for picturing an outdated image of management. The authors stress though that one should not expect to find outlined features in real life, in every concrete business (see e.g. Johannisson & Forslund, 1998). But since an ideology constitutes an image of how business is – and should be – organised, it influences organisations and organising practices. Therefore, and according to the authors, it is fruitful to outline such ideologies – as done in table 2-1 and 2-2 – and to discuss and reflect upon them.
None of the mentioned authors – who contrast management and entrepreneurship – suggest that it is a question of choosing between ‘bad’ (management) and ‘good’ (entrepreneurship) On the contrary, they explicitly state that both entrepreneurship and management are needed in practice (see e.g. Johannisson and Forslund, 1998). Still, their works breathe a critical stance towards the management approach to organising and to management ideals (cf. Florin Samuelsson, 2002). As mentioned, they (e.g. Hjorth and Johannisson, 1997) argue that the ideologies are not given equal support in academic texts and within business life. Rather, it is the management ideology that dominates. A somewhat divergent picture emerges when reading e.g. Watson (1995). He stresses that management – and managers – in recent times has been unfavourably compared to both entrepreneurship and leadership. This is also reflected in the historical account of Czarniawska-Joerges and Wolff (1991), in which they compare the roles of managers, leaders and entrepreneurs over time.

When speaking in terms of ideologies and good versus bad, Watson (1995) points at a crucial thing about such distinctions and labels mentioned above. He calls this the language problem, and refers to the fact that such notions are filled with values and ideological associations. A parallel can also be drawn to labels such as ‘administrative’ and ‘traditional’, which will be discussed and developed in the next section. They are – as well – filled with values and particularly negative ones since they point at bureaucratic and out-dated forms of management. This means that dichotomies – as the ones presented here – in some sense represent a good side and a bad side, even if this is not the authors’ intention.

To conclude, entrepreneurship and management respectively have been described by mentioned authors as ideologies with their own ideas, assumptions and related vocabulary. As mentioned, the dichotomies and related reasoning can be criticised for being filled with values, and for favouring entrepreneurship. The models, in which the ideologies are featured in a number of dimensions, can also be criticised for being too simplistic and purified. On the other hand, the ideology conception – and related models – has strengths. Being ideologies, entrepreneurship and management exist side by side, in practice; something which the authors stress. Findings from Johannisson and Forslund’s (1998) empirical study on medium-sized family businesses, also confirm this. Considering that, and the idea that the ideologies are based on divergent ideas and assumptions, the ideology conception reflects a tensional balance. In this sense, it can be described as a dynamic model; of the kind which is looked for in this study. Besides, the management and entrepreneurship ideologies are – by the authors – concretised and featured in a number of dimensions. Being filled with contents, these more concrete models can be used when interpreting empirical observations (see e.g. Johannisson and Forslund, 1998). Thereby, these models can be used for inspiration when developing my framework.
Entrepreneurship has not only been approached as an ideology, but also as a managerial mode. Stevenson’s framework (1983) is possibly one of the most well-known examples; a framework which has been further developed in e.g. Stevenson and Gumpert (1985) and also operationalised and tested in Brown, Davidsson and Wiklund (2001). As a point of departure, Stevenson uses the definition of entrepreneurship as "the pursuit of opportunities without regard to resources currently controlled" (1983, p. 10; see also Stevenson and Gumpert, 1985; Stevenson and Jarillo, 1990). In the framework he contrasts an entrepreneurial behaviour with an administrative one, and in relation to six dimensions. Table 2-3 presents a summary of Stevenson’s conceptualisation.

Table 2-3: Stevenson’s Conceptualisation of Entrepreneurial Management

<table>
<thead>
<tr>
<th>Administrative focus</th>
<th>Conceptual dimension</th>
<th>Entrepreneurial focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driven by controlled resources</td>
<td>Strategic orientation</td>
<td>Driven by perception of opportunity</td>
</tr>
<tr>
<td>Evolutionary with long duration</td>
<td>Commitment to opportunity</td>
<td>Revolutionary with short duration</td>
</tr>
<tr>
<td>A single stage with complete commitment out of decision</td>
<td>Commitment of resources</td>
<td>Many stages with minimal exposure at each stage</td>
</tr>
<tr>
<td>Ownership or employment of required resources</td>
<td>Control of resources</td>
<td>Episodic use or rent of required resources</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>Management structure</td>
<td>Flat, with multiple informal networks</td>
</tr>
<tr>
<td>Based on responsibility and seniority</td>
<td>Reward philosophy</td>
<td>Based on value creation</td>
</tr>
</tbody>
</table>

(Source: Stevenson, 1983; Stevenson and Gumpert, 1985; cf. also Brown, Davidsson & Wiklund, 2001)

Several dimensions in Stevenson’s model touch upon opportunities and resources, which go back to the definition of entrepreneurship which Stevenson suggests; a definition which emphasises these two aspects. However, his conceptualisation also holds a discussion on e.g. management structure and reward philosophy; two aspects which are closely related to management control. Regarding management structure – as an example – it is described as flat and with informal networks within an entrepreneurial management mode.
Administrative management is on the other hand characterised by a hierarchical management structure.

Stevenson further makes a distinction between a promoter type of firm – or manager – and a trustee type. A promoter type is then a firm (or manager) which moves towards the entrepreneurial end of the spectrum, whereas the trustee type primarily leans towards the administrative side. Stevenson’s framework also contains pressures that pull firms either towards the entrepreneurial range or the administrative one. Examples of pressures that make firms more administrative is – according to Stevenson – formal planning systems and rewards systems, performance measurement criteria, and risk reduction in decision-making processes. Pressures that pull firms towards the other direction are rapid changes in e.g. technology, short decision windows, competition, and flexibility; only to mention a few. Not all pressures will be presented here. It seems though that pressures that push firms towards the administrative end are constituted by organisational forces to a larger extent than entrepreneurial pressures are. The last ones are more often of environmental character. We also find management control systems among the administrative pressures.

Kanter (1985) discusses in similar terms when introducing and elaborating on two different management modes; an entrepreneurial and an administrative one. In her article, Kanter brings forward four characteristics of the innovation process. It is an (1) uncertain and (2) knowledge-intensive process which involves a (3) competition with alternative courses of action. It is further a (4) boundary-crossing activity, involving people from different disciplines, functions and departments. Considering these characteristics, Kanter argues that an administrative mode of management – which aims at holding “things in place, preventing deviation from established practice, once rules are made” (ibid., p. 52) – discourages innovation and change. To exemplify, an administrative mode of management is in her mind characterised by e.g. detailed analysis of needed resources, rapid returns of investment, and rewards system based on departmental goal fulfilment. It runs against the principles of innovation, when e.g. focusing on single units and presuming that input as well as output can be predicted. Therefore, another kind of management is asked for; an entrepreneurial management which works in line with the characteristics of the innovation process.

Entrepreneurial management is in Kanter’s mind based on an integrative approach to organising. It puts emphasis on bringing people and activities together, not separating them. It further stresses communication and negotiation, instead of impersonal forms of control and commands. It acknowledges that innovation processes are uncertain and that results are hard to predict. This is reflected in a practice of e.g. planning flexibility, patient money and visionary leadership. Based on an empirical investigation, she also
identifies a number of conditions that facilitate entrepreneurial management. These conditions, which are related to jobs, structure, culture and “power tools”, are summarised in table 2-4.

Table 2-4: Facilitating Conditions for Entrepreneurial Management

<table>
<thead>
<tr>
<th>Facilitating aspect</th>
<th>Characteristics of the aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>• Broadly defined jobs</td>
</tr>
<tr>
<td></td>
<td>• Focus on results rather than on rules and procedures to be followed</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>• Small business units</td>
</tr>
<tr>
<td></td>
<td>• Cross-functional project (a matrix structure)</td>
</tr>
<tr>
<td>Culture</td>
<td>• A “culture of pride”</td>
</tr>
<tr>
<td></td>
<td>• Abundant praise and recognition</td>
</tr>
<tr>
<td>Power tools</td>
<td>• Information that is readily available</td>
</tr>
<tr>
<td></td>
<td>• Strong support</td>
</tr>
<tr>
<td></td>
<td>• Available resources; “seed capital” for new activities</td>
</tr>
</tbody>
</table>

(Source: Based on Kanter, 1985)

Kanter’s conditions can be likened to Stevenson’s pressures; the forces that push the firm towards an entrepreneurial mode of management. Kanter’s conditions, however, only address internal and organisational aspects, and not the kind of environmental forces that Stevenson also brings up. It can finally be clarified that Kanter as well as Stevenson argue that both management modes are needed. The problem is – according to Kanter – that the administrative mode has come to dominate all activities in large organisations.

“The administrative mode driving out the entrepreneurial”
Kanter, 1985, p. 48

The work by Cornwall and Perlman (1990) is still another example of a conceptualisation of entrepreneurial management. In their book they compare traditional and entrepreneurial organisations; each representing a general management philosophy. In their mind, corporate entrepreneurship is a strategic management issue, and as such it has to be integrated within a strategic management process (cf. also Meyer & Heppard, 2000; Wickham, 2004). Cornwall and Perlman’s (1990) framework is quite comprehensive, covering and discussing many managerial dimensions. A summary of their ideas can however be found in the introductory chapter of the book. This summary is presented in the table 2-5.
Table 2-5: Traditional and Entrepreneurial Organisations and Their Management Philosophies

<table>
<thead>
<tr>
<th>Organisation characteristics</th>
<th>Traditional organisation</th>
<th>Entrepreneurial Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Defensive. Protection of present niche.</td>
<td>Actively seeks out new ventures.</td>
</tr>
<tr>
<td><strong>Environmental scanning</strong></td>
<td>Scan the external environment to identify threats.</td>
<td>Scan the external and internal environment to identify new opportunities.</td>
</tr>
<tr>
<td><strong>Effectiveness and control</strong></td>
<td>Primarily short-term focus.</td>
<td>Primarily long-term focus.</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Something to be minimised.</td>
<td>Key to growth, adaptation and survival.</td>
</tr>
<tr>
<td><strong>Organisational culture</strong></td>
<td>Objective and analytical. Serves to protect status quo.</td>
<td>Affective component also important. Serves to nurture adaptation and innovation.</td>
</tr>
<tr>
<td><strong>Structure and communication</strong></td>
<td>Formal structure and communication channels. Vertical communication.</td>
<td>Informal. Horizontal communication.</td>
</tr>
<tr>
<td><strong>Decision-making</strong></td>
<td>Top management sets narrow parameters.</td>
<td>Top management establishes mission and vision. Input from below is encouraged.</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>Viewed as an abundant resource that is easily replaced.</td>
<td>Viewed as a key resource to be protected.</td>
</tr>
<tr>
<td><strong>Creativity</strong></td>
<td>Something to be tolerated.</td>
<td>Something to be fostered and developed.</td>
</tr>
</tbody>
</table>

(Source: Cornwall & Perlman, 1990, pp. 18-19)

Several aspects brought forward in Stevenson’s (1983) and Kanter’s (1985) frameworks occur in Cornwall and Perlman’s work, e.g. aspects related to control, risk, decision-making, and organisational structure. The aspects are also similarly described, and captured in terms of two contrasting management modes. Another similarity is that Cornwall and Perlman – as well – stress that it is not a question of black and white, or of either or. Rather, the framework should be understood as end points of a continuum of organisational types.

Still another description of entrepreneurial and traditional management can be found in Cooper, Markman and Niss (2000). Within their work traditional management is described in terms of learning one skill, striving to maintain the status quo and a top-down hierarchy, and in terms of viewing capital mostly as equipment. An entrepreneurial management is instead characterised by risk-taking, life-long learning, a focus on change and agility, and a view of capital as
people’s know-how. In many respects their dichotomy holds similar aspects as previous frameworks. These aspects are also similarly described within the entrepreneurial and traditional management mode. A last work which addresses entrepreneurial management that will be mentioned here is the article written by Rae (2001). Rae talks in terms of an entrepreneurial and managerial type of working. The characteristics of each and the relationship between them are pictured in figure 2-1.

<table>
<thead>
<tr>
<th>Managerial working</th>
<th>Entrepreneurial working</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic focus</td>
<td>• Opportunity focus</td>
</tr>
<tr>
<td>• Organisational synergy</td>
<td>• Rapid innovation</td>
</tr>
<tr>
<td>• Managing resources</td>
<td>• Creating customer appeal</td>
</tr>
<tr>
<td>• Managing relationships</td>
<td></td>
</tr>
<tr>
<td>• Systematic value management</td>
<td></td>
</tr>
</tbody>
</table>

Creating new value

Figure 2-1: Managerial and Entrepreneurial Working
(Source: Rae, 2001, p. 334)

Rae’s model of entrepreneurial management is slightly different than the previous ones. His entrepreneurial and managerial work addresses different focuses. Whereas an entrepreneurial work focuses on innovation, opportunity and customer attractiveness, a managerial work emphasises more traditional management aspects, such as goals, missions, coordination and communication. Besides, and in his framework, the notion of entrepreneurial management relates to the situation when these two – with their different focuses – work in synergy and are successfully integrated. Entrepreneurial management is then not – as within the other models – a purified management mode, placed on one end of a continuum.

To sum up, it can be concluded that presented conceptualisations have many similarities even if focusing on somewhat different features and managerial dimension. However, a general idea behind many of them is that an administrative management mode – or equivalent – is based on an assumption of status quo and stability. The overall aim of this management is to preserve status quo; to hold things in place and to manage and to make existing activities more efficient (cf. e.g. Kanter, 1985). The aim of entrepreneurial management is on the other hand to create change and renewal, and to support innovation.
Another common idea behind some of these conceptualisations is that there – in practice – should be a balance between the two. It is not a question of choosing between one of the two modes of management. However, and when having large organisations in mind, there is a request for a stronger emphasis on entrepreneurial management since it is assumed that large organisations are dominated by an administrative management (see e.g. Kanter, 1985; Cornwall and Perlman, 1990). In life-cycle models, the reasoning is the other way around. Having small and growing firms in mind, a more professional – or administrative – kind of management is asked for (see e.g. Anderson & Dunkelberg, 1993). In some life-cycle models entrepreneurial management and professional management are also featured and compared, in a similar way which is done in previous described conceptualisations. However, entrepreneurial management in these models often illustrates a small business management; a type of management which is common in small organisations. Such management does not necessarily support and encourage entrepreneurship as defined in this thesis. Therefore, I find previous ideas and models on management more useful than those presented in life-cycle models.

The kind of frameworks presented in this section has been criticised from several directions. Watson (1995) for example argues that management is simplified within conceptualisations that distinguish between two modes of management. Criticism towards simplified views of management – as well as of entrepreneurship – has been brought forward also from other directions and researchers. Hjorth and Johannisson (1994) for example argue that corporate entrepreneurship in many studies – particularly within the field of strategic management – simply is treated as tool for management, and as one of several sub-strategies for creating development and renewal. This view also holds an assumption that corporate entrepreneurship can be planned and managed, primarily by designing the organisation as an entrepreneurial one. In this sense, it can be argued that some management approaches to corporate entrepreneurship are based on a rational logic (see further Hjorth and Johannisson, 1994). Criticism towards such instrumental and narrow views has also been directed towards management in general, and not only towards management approaches in corporate entrepreneurship literature. Alvesson and Willmott (1996) – as one example – present a profound critical position towards conventional management knowledge. They stress that management in conventional thinking often is represented as a technical function or technical activity; a representation which neglects the human and social character of managerial work. Having particularly entrepreneurship in mind, Hjorth and Johannisson (1994) also touch upon this people-centred aspect. They argue that individuals as well as social relationships are amazingly absent in traditional corporate entrepreneurship frameworks.
A similar kind of criticism is brought forward by Jelinek and Litterer (1995). They argue that traditional theories and ideas are very much focused on managerial systems and structures. These systems and structures are further depicted as tools that “mechanically determine members’ behaviors” (ibid., p. 140). According to Jelinek and Litterer, this view neglects such things as sense-making, understanding and individual choices. It does not acknowledge that similar systems and structures may be understood differently by organisational members, and thereby also function differently. Therefore, Jelinek and Litterer ask for a more ‘human’ management approach to corporate entrepreneurship and entrepreneurial management. More precisely, they suggest an approach which addresses the individuals’ own experiences, meanings and choices. Hjorth and Johannisson (1994) – also asking for a more human approach – put more emphasis on the social and relational aspects of corporate entrepreneurship. According to them, corporate entrepreneurship emerges in interaction and by the use of personal networks. Therefore, the function of management is to support networking and to provide legitimacy to boundary-crossing activities.

The above account points at some weaknesses in texts and studies which deal with management in relation to corporate entrepreneurship, sometimes in terms of ‘entrepreneurial management’. How these weaknesses are dealt with in this study is clarified in the next section.

2.2.3 Implications for the Development of a Balancing Framework

Previous sections described entrepreneurship and management as both ideologies and management modes. If integrating these two views, the result could be as figure 2-2 suggests.

![Figure 2-2: An Integrative Model of Corporate Entrepreneurship and Management](image-url)
In line with e.g. Johannisson and Forslund’s (1998) way of reasoning, it can be suggested that entrepreneurialism and managerialism – as ideologies – can be expected to be constantly present in all organisations, and thereby influence the business and how e.g. management is carried through and talked about. It can further be assumed that there is an ideology which dominates; a kind of ‘dominant logic’ (cf. Prahalad & Bettis, 1986; Bettis and Prahalad, 1995). This dominant logic may explain how management is dealt with and where the firm is placed in the spectrum between an administrative management (AM) and an entrepreneurial management mode (EM).

As has been discussed, dichotomies of the above kind – either reflecting ideologies or management modes – can be criticised. It is for example stressed that such pieces of works are based on and reflect simplified views of management and entrepreneurship respectively. In an attempt to overcome some of these shortcomings, I will develop the above model in a number of ways. First of all, I will abandon the idea of a dichotomy between two ideologies and two modes of management. Instead I will identify isolated opposing elements, related to a number of managerial dimensions. The aim is to avoid an impression of a choice between two overall alternatives. Instead, I want to approach corporate entrepreneurship as a balance between tensional requirements and opposing elements. Hereby, I also avoid those value-laden words that are used as labels for described management modes, such as administrative, professional and traditional.

Previously I stressed that e.g. Jelinek and Litterer (1995) request more human approaches to corporate entrepreneurship. The ambition is also to accomplish this. Stevenson – as one example – suggests that planning systems and reward systems are pressures that push firms toward the administrative side of his spectrum (1983; Stevenson and Gumpert, 1985). In the framework that will be developed below, I want to go beyond mere systems and structures, and also capture the use of these. The assumption is that systems and tools per se may not work as pressures towards one or the other side. It is rather how they are used that explains how tensions are dealt with, and if opposing elements work in synergy, or not. And when focusing on use, humans get a prominent position.

2.3 Developing a Balancing Framework

2.3.1 Introducing Three Management Control Processes

The aim is to develop a balancing framework, in line with earlier reasoning. Previously described management conceptions hold opposing elements related
to a number of management and organising dimensions. Considering my focus on the use of management control systems, I have decided to deeper analyse management control processes or activities. These processes and activities can be categorised and labelled in different ways. Emmanuel, Otley and Merchant (1990/1996) discuss the use of accounting information in management control. They relate management control with the following activities: decision-making, planning and control, performance measurement and evaluation, rewarding, and handling independence and transfer pricing. Similar processes and activities occur in the work of Anthony and Govindarajan (2001). Their work – focusing on management control – holds a treatment of e.g. strategic planning, budget preparation, performance measurement, management compensation, transfer pricing, and project management. Analogous activities are also present in Ramberg’s study (1997) on performance measurements. His framework holds three overall management control processes, i.e. decision-making, planning, and feedback activities. Planning and feedback activities are further discussed in relation to four areas of use; budgeting, rewards, defining responsibility, and external comparisons. I have decided to discuss management control in terms of three overall processes, which I label (1) planning, (2) decision-making, and (3) organisational control. A similar division is for example found in Collier (2006). Planning relates to both strategic planning and budget preparation. It further involves processes of stating corporate goals and targets. Closely connected to planning are reporting and those feedback activities that Ramberg (1997) brings forward. Therefore, and in order to understand planning, we have to look into reporting and also investigate how plans are followed up and compared with actual outcome. Decision-making can be discussed in terms of both short-termed and long-termed decisions. Even if not excluding short-termed decisions totally, a particular emphasis is put on decisions on proposed new programs, i.e. suggestions of new offers, organisational change, and market expansion, for example. Such decisions have often long-term consequences. Organisational control, lastly, relates to such activities which aim at delegating and defining responsibility, motivating employees, and measuring and rewarding performances in departmental units and for responsible managers.

Within these three processes, management control systems are often used and also regarded as important tools (see e.g. Emmanuel, Otley & Merchant, 1990/1996). Issues related to these three processes and associated activities are also captured and discussed in corporate entrepreneurship literature in general, and in previously described conceptualisations specifically. Kanter (1985) for example discusses planning when asking for planning flexibility. Cornwall and Perlman (1990) include decision-making in their model. Organisational control is touched upon in most frameworks, being closely linked to the dimension of organisational structure. Organisational control is also elaborated on by e.g. Jelinek and Litterer (1995) when they describe shared management as a
principle for delegating – or sharing – responsibility. It should finally be noted that there is no clear border-line between mentioned managerial processes. Connections exist between planning and decision-making, as well as between planning and organisational control.

The aim of the following three sections is to elaborate on each of these management control processes and to identify managerial dimensions that (a) are related to these three processes and that (b) can be expressed in terms of a tension, composed of two opposing elements.

2.3.2 Identifying Opposing Elements in Planning

The first management control activity that will be elaborated on is planning. Planning – in a general sense – can easily be depicted as a problematic activity from an entrepreneurship perspective. How can you plan for something that you do not have any experience of, and of which the outcome is unknown? (cf. e.g. Kanter, 1985). And how do you follow up plans and compare them with the actual outcome? Is such comparison meaningful when conditions are constantly altered? It could be argued that such an idea – that planning is problematic – is based on a traditional view of planning, in which stability and repetition of the past are central postulates. The question which could be posed then is: What does planning mean when renewal is the underlying assumption?

Some descriptions of planning are based on the kind of goal view which Normann (1975/1999) describes. This goal view has many similarities with the ‘rationalist model’, mentioned and discussed by e.g. Preston (1991). From such a view, planning is depicted as an instrumental and linear process. If briefly describing the characteristics of such processes, it can be stated that they start with an analysis of the situation and alternative courses of action (see e.g. Hatch, 1997). Based on such an analysis, goals are formulated and alternatives decided upon. Once this has been done, implementation is asked for. Implementation involves the determination of clearly defined methods on how to reach formulated goals: to make and present a detailed plan. It may further be stated that an instrumental type of implementation is characterised by stringency towards determined goals and set plans. Plans are followed up in order to keep to the plan, and to make corrections once variances occur. Normann (1975/1999) also stresses that a planning process, which is based on a goal view, involves a process of breaking down goals into sub-goals and specific targets. He writes (my translation):

“A traditional assumption about planning is that the decision-maker formulates her goals, breaks them down into sub-goals and formulates a means-end hierarchy.”

Normann, 1975/1999, p. 65
Such a linear and instrumental model of planning, which has been depicted above, is based on the assumptions of stability and predictability. It presumes that we – in advance – can determine what the best course of action is and what we should aim towards. Let us now turn to the question posed above: What may characterise a planning process when we ask for renewal and when assuming that the future is uncertain and also continuously changing? If once again referring to Normann (1975/1999), he provides us with a possible alternative in his process view of planning. He suggests that such a planning philosophy may be likened to a learning process, in which the perspective continually shifts between visions and immediate actions (cf. also Bjerke, 1989, pp. 358-370). Referring to Hirschman and Lindblom, Normann also describes this kind of planning as a process of “muddling through” (p. 65). Planning is something that emerges, based on concrete experiences and reflections upon these experiences in relation to an imagined vision. Other scholars also depict entrepreneurship as an interplay between action and vision (e.g. Aghed & Senneseth, 1992; Johannisson, 1992a, 1996), as well as between concrete experiences and reflections (e.g. Johannisson, Landström & Rosenberg, 1997). Some of these authors also claim that entrepreneurship involves little traditional planning, but more of action and visionary thinking (e.g. Aghed & Senneseth, 1992; see also Johannisson, 1992b). Kanter (1985) touches upon a similar aspect when she argues that situations that are characterized by uncertainty, require a “great deal of planning flexibility, to adjust the original concept to the emerging realities” (p. 49).

Based on this reasoning a first tension can be identified; a tension between an instrumental and an emerging planning process. If returning to declared research questions, a number of partial questions can be posed related to these tensional processes, for example: Does the use of management control systems reflect an instrumental or emerging planning process in entrepreneurial organisations? Or does it reflect a balance between the two? If this is the case, what characterises the balance?

When discussing the character of the planning process, there is another aspect that can be discussed – the aspect of formalisation. It can be argued that formality with respect to the planning process is closely linked to the instrumental and linear idea about planning and reporting. Formalisation – which relates to the existence of explicit rules, policies and procedures that govern organisational activities (Hatch, 1997) – also is based on the assumption of regularity and predictability. There is still another reason why formalisation sometimes is seen as problematic from an entrepreneurship perspective. Not only does formalisation reflect an idea that processes can be planned in advanced, and that they are replicated, it is also claimed to reduce the amount of discretion among employees (see e.g. Hatch, 1997, p. 170; cf. also Kanter, 1985). Therefore, it can be suggested that entrepreneurial organisations need
less formalised processes with respect to planning. At the same time, it is sometimes argued that corporate entrepreneurship requires orderliness, for example in the form of formalised procedures. Managers at Roxtec hinted at this (see Lövstål, 2001). They argued that routine activities have to be clearly defined, leaving no doubts about who, when and what should be done. If these activities run smoothly, more time and energy can be turned towards entrepreneurial and innovative activities. Based on such reasoning then, another tension can be formulated, in terms of a formal and an informal planning process. Can we trace a balance between those two opposing elements in the use of management control systems? Considering the fact that I previously defined management control systems as formal information-based systems (see section 1.5.2), it is easy to assume that the use of management control systems reflects a formal planning process. If so, how is this dealt with in entrepreneurial organisations? Or can we – despite all – trace some informality in the use of management control systems?

The planning process can further be discussed in terms of loose and tight; two opposing elements which occur in both corporate entrepreneurship literature (e.g. Cornwall and Perlman, 1990) and in management control literature (e.g. Anthony, Dearden & Govindarajan, 1992; Van der Stede, 2001). The use and definition of these terms vary between researchers, something which Van der Stede (2001) acknowledges. Reviewing some of the literature on tight/loose, he suggests a construct which captures tight budgetary control. Leaning towards his ideas then, it can be suggested that the dimension of tightness and looseness is directed towards the following attributes (cf. ibid., p. 122):

a) Amount of emphasis on attaining plans and goals,
b) Degree of commitment, e.g. whether revisions during the period are allowed,
c) Amount of details,
d) Degree of tolerance for budget deviations,
e) Degree of involvement of top management in the subordinates’ businesses.

In relation to planning, the first three attributes will be considered. The last two are left for the organisational control process (see section 2.3.4). Considering the first three attributes then, looseness and tightness can be used for describing both the degree of clearness and the degree of rigidity. Tight goals and plans are characterised by a high level of clearness as well as by a high wealth of details. They are also characterised by a high level of stability or rigidity, in the sense of not being changeable. Loose goals and plans can on the other hand be described as vague and movable. They are stated in more indefinite and abstract terms. They are also more flexible and may be changed due to new learning.
experiences and due to altered conditions. A discussion in these terms is for example found in Normann (1975/1999) who, by referring to Hirschman and Lindblom, asks for ‘looser’ goal settlements in development projects and processes. This kind of reasoning can also be found in Bjerke (1989), where a distinction is made between development for growth and development for renewal. Referring to e.g. Normann, Bjerke suggests that a development for renewal cannot be based on well-defined end goals or on detailed plans. An alternative in these situations is the vision, which may be seen as a ‘looser’ type of goal settlement. Bjerke describes a vision in the following way (my translation):

“Visions are not goals. They are intuitive ideas about future conditions…”

Bjerke, 1989, p. 366

Goals – in his mind then – are well-defined and fixed. Such goals may be relevant to use in development processes that aim for growth only. Such processes ask for more of the same kind, and not for renewal. Before turning to the next dimension, it can also be stated that visions in general often are discussed and investigated in the context of entrepreneurship, and are seen as important for understanding the entrepreneurial process (see e.g. Gaddefors, 1996).

Next to clearness and stability, the question of tightness and looseness also captures a third aspect; how important it is to reach plans and goals. This aspect addresses the overall aim of planning. From one point of view, it can be argued that an overall aim is to reduce ambiguity by planning in advance for necessary actions. Such an aim is for example stressed by Jelinek and Litterer (1995) when they describe traditional planning, which is based on assumptions about status quo and the value of certainty. They also stress that such an aim means that the more complex the task is, the more time and effort is paid on planning. Another overall aim, according to a similar view, is to keep to the plan, to reach set goals and to reduce deviations, or what Normann calls, ‘mistfits’ (1975/1999). Such an aim is, for example, reflected in the kind of feedback and cybernetic models that can be found in many textbooks on management control (see e.g. Anthony and Govindarajan, 2001, pp. 1-5; Emmanuel, Otley & Merchant, 1990/1996, pp. 8-15). According to such models, actual results are compared with plans and in the case of deviations, measures are asked for in order to reduce these kinds of ‘errors’.

When renewal is the underlying principle, the overall aim of planning may be somewhat different. Here, it can be suggested that planning and plans primarily create a mutual frame for action, or what could be called a mutual agenda. The importance of having such a frame – in the context of corporate
entrepreneurship and in conditions of uncertainty – is for example stressed by McGrath and MacMillan (2000). They suggest that such a frame provides focus and creates a sense of urgency. It should be noted though that the creation of a mutual frame – in their minds – involves the setting of challenging goals. They do not talk in terms of declaring a vision or stating a mission, which could be expected. Jelinek and Litterer’s (1995) depiction of planning in entrepreneurial organisations also points at the aim of creating some kind of mutual agenda or understanding. They write:

“...but the desired outcomes of planning are shared approaches and attitudes, cues for recognizing anomalies, and awareness for other, interdependent members’ needs, rather than precise specifications of actions steps.”

Jelinek and Litterer, 1995, p. 154

Accordingly, one overall aim of planning is to reduce anomalies, ambiguities and ‘misfits’, in order to keep to the plan. Such an aim is reflected in tight planning. Loose planning reflects a more relaxed attitude towards the attainment of plans and goals. An overall aim in loose planning is to create a mutual understanding, in line with previous reasoning.

A last issue, which will be mentioned in relation to planning and reporting, is the time perspective. When it comes to time, it is more complicated than to formulate a tension between a short-termed and a long-termed perspective; as e.g. Cornwall and Perlman (1990) do in their conceptualisation (see table 2-5). Sometimes, it is argued that long-term plans are impossible to prepare when it comes to renewal (see previously, referring to Bjerke). At the same time, visions and visionary thinking reflect a long-term perspective. A similar reasoning can be applied on short-term thinking. Short-term goals are for example sometimes described as counteractive to entrepreneurship and renewal, since the returns of such investments seldom appear quickly. This is why Kanter (1985) asks for ‘patient money’ and rejects the idea of having only rapid returns of investments. Similar ideas are reflected in Cornwall and Perlman (1990), when they discuss views of time in relation to reward systems. At the same time, the planning process which Normann (1975/1999) and Bjerke (1989) describe, and which they liken to a learning process, holds a short-term perspective in its emphasis on immediate actions (cf. also Jelinek and Litterer, 1995). Instead, I would suggest another tension related time perspective. When planning for stability, it can be described as a separation between short-, medium-, and long-term perspectives. Such a separation is for example reflected in the distinction between strategic, tactical and operational planning (see e.g. Anthony and Govindarajan, 2001). When organising and planning for renewal, there is more of an interplay between short- and long-term time views, as e.g. Normann’s
depiction of the process view suggests. Accordingly, we can make a distinction between a separative and an integrative planning; which reflect two different approaches of handling several time perspectives.

Based on the above discussion, we can now formulate four tensions related to planning, summarised in figure 2-3:

<table>
<thead>
<tr>
<th></th>
<th>Instrumental</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td>2</td>
<td>Tight</td>
<td>Loose</td>
</tr>
<tr>
<td>3</td>
<td>Separative in time</td>
<td>Integrative in time</td>
</tr>
</tbody>
</table>

**Figure 2-3: Planning Tensions**

Let us now turn the attention to the next managerial process that is elaborated on in this study; the decision-making process.

### 2.3.3 Identifying Opposing Elements in Decision-Making

Some of the reasoning that was applied on the planning process can also be used when discussing the decision-making process. The planning process was for example depicted as an instrumental and linear process. The same can be said about decision-making. Such a model of decision-making is often depicted as a procedure which involve the following steps (see e.g. Hatch, 1997, pp. 272-276): (a) define the problem, (b) generate and evaluate alternatives, (c) select an alternative, and (d) implement the selected alternative. Decision-making can also be discussed in terms of economic rationality. It is for example often assumed that a decision becomes better – from an economic point of view – if conducting a profound analysis and evaluation, of the situation and of generated alternatives. Therefore, tools and techniques for systematic analysis are asked for and presumed to be used. According to a rational model, it can further be stated that decisions primarily are based on information and on logical reasoning, in order to find the best alternative in financial terms. Such ideas about decision-making assume that there is no – or little – uncertainty, and that needed information is either known or estimable (see e.g. Hatch,
As indicated, it is also based on an assumption about economic rationality. As with planning, decision-making can further be discussed in terms of formalisation. If decision-making is formal it follows a predetermined procedure, including the use of specific analysis techniques and the preparation of fixed documents. Such a formal procedure may also mean that a decision has to be approved by several layers of management. In literature on entrepreneurship, the nature of decision-making takes quite a different shape. It is for example sometimes stated that decisions have to be made fast in situations of change. To mention one, Schuler emphasises this when writing:

“The entrepreneurial process is an ever changing one requiring continuous data gathering and rapid decision making.”

Schuler, 1986, p. 624

If spending a great deal of time on detailed analysis, it may be that one “misses the boat” (cf. Cornwall and Perlman, 1990, p. 11), i.e. fails to take advantage of an opportunity. Detailed and profound analyses may also mean that once documents have been prepared, the information is outdated. It can also be argued that if a suggestion always is dwelled upon and has to be approved at several levels, the person who brought forward the suggestion may lose her commitment towards it. This aspect was mentioned by Roxtec managers, when explaining their lack of profound and detailed analysis before making an investment (see Lövståhl, 2001). They explained that a person who comes up with an idea has to convince superiors and to sell in the idea. If she manages to do that, she gets necessary support from superior managers without systematic and detailed analyses. It means that decisions are made fast, and commitment is thereby maintained. It is also often stated that decisions about entrepreneurial endeavours involve both risk and uncertainty (see e.g. Cornwall and Perlman, 1990). Under such circumstances, it may be difficult to generate and evaluate different alternatives in an analytical and rational way, and by using formal techniques. In these situations, a more intuitive decision-making process is suggested. This is for example done by Cornwall and Perlman, when writing:

“In these situations [of risk and uncertainty], affect often enters into the decision-making process. Managers must make decisions based on “gut feelings” and “intuition” every day”.

Cornwall & Perlman, 1990, p. 9

The importance of intuition in decision-making – and in the context of entrepreneurship – is also stressed and discussed in Johannisson (1992a). Based on an empirical study and statements from entrepreneurs, Johannisson concludes that intuition is “the universal tool of entrepreneurship” (p. 116).
this text, the importance of conviction is also touched upon. Several entrepreneurs, referred to in the text, claim that they often act and make decisions, more based on conviction than on a systematic evaluation of premises. Also Jelinek and Litterer (1995) touch upon a similar issue when they describe how decisions about resource allocation are made in entrepreneurial organisations. According to their depiction, decision-making is much about convincing others, similar to the Roxtec case. They write:

“Individuals must convince others... Rather than formal approvals [...] entrepreneurial firms rely primarily on informal, on-going social interaction to filter, assess, and improve proposals.”

Jelinek and Litterer, 1995, p. 150

Sathe (1988) as yet another example stresses the importance of conviction when making decisions in entrepreneurial organisation. He also explains that this involves “betting on the individual, rather than on analysis” (ibid. p. 396). Hereby, a different kind of decision-making emerges than the one that was described at first. And from the discussion, I bring out three tensions, presented in figure 2-4.

![Figure 2-4: Decision-Making Tensions](image)

1) Rational — Intuitive
2) Profound — Shallow
3) Formal — Informal

2.3.4 Identifying Opposing Elements in Organisational Control

Organisational control is the last managerial process that will be discussed in this thesis. Here, organisational control relates primarily to overall principles for delegating responsibility and decision-making, as well as overall modes for controlling, evaluating, and rewarding employees and organisation units.

Regarding the process of organisational control, a common and contemporary solution seems to be reflected in the creation of responsibility centres and the use of – what has been called – output control (e.g. Ouchi,
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1979) or result accountability (e.g. Emmanuel, Otley and Merchant, 1990/1996). The underlying idea behind this solution is a far-stretched self-government with respect to means. Therefore, self-governing units with a responsible manager is often created. These units – which often are called responsibility centres – may be departments, sections or business units which have the responsibility to accomplish some preset objectives (see e.g. Anthony and Govindarajan, 2001). The responsible manager of such a centre can independently decide how to execute and organise the work, as long as stated objectives are accomplished. More concretely, a division in responsibility centres normally means that resources are allocated to the centre, as inputs for its work. The result of the work – the output – is then measured and compared to stated objectives. The process often also holds an obligation to account for and justify one’s action to the person one is answerable to.

This solution reflects a formal way of delegating responsibility. Responsibility and decision-making are formally delegated throughout the organisation, by the creation of responsibility centres. However, such formal solutions seem to be followed by close monitoring and evaluation, and an obligation to account for outcomes and taken actions. As Jelinek and Litterer (1995) point at, when practicing decentralisation – in this formal manner – higher management cedes unit operations. However, Jelinek and Litterer add, “they [higher management] closely monitor outcomes, control resources, and set direction” (p. 145).

Underlying these principles of control – reflected in output control – is the feedback model, which was mentioned in the context of planning (see section 2.3.2). This model was there argued to be based on assumptions about stability and predictability, since it assumes that we can plan in advance and measure performance based on the fulfilment of preset targets. The problem with this solution for delegating responsibility has been discussed by several entrepreneurship researchers. It has for example been stressed that it may be difficult to set operational targets in advance, which are used for performance evaluation and as a base for rewarding the people involved in these activities. Furthermore, the described control process – normally centred on an annual budget – may not be an appropriate one if considering the time period. As e.g. Kanter (1985) stresses, innovation and research are long-term activities and it may take many years before such activities show returns on the investment – if they do at all. Besides, and when dealing with such uncertain activities as innovation involves, it may be difficult to state in advance recourse commitments (ibid.).

It is also often claimed that entrepreneurship and innovation – in organisations – require cooperation and communication between departments and functions. Kanter for example writes:
“...many of the best ideas are interdisciplinary or interfunctional in origin...”

Kanter, 1985, p. 51

A formal division in responsibility centres may hinder such interdisciplinary cooperation. As I discuss in Lövstål (2001), it may be that separate functions and units particularly put effort into reaching unit-specific objectives, without regard to the performance of other units or the organisation as a whole. This may also lead to a narrow focus on participants in the organisation, and thus not the kind of "kaleidoscope thinking" that Kanter asks for (1985).

Jelinek and Litterer (1995) suggest an alternative to formal kinds of decentralisations in their notion of 'shared management'. According to them, shared management "is far more inclusive, and far more communicative" (p. 145). Here, responsibility is for example something that is taken, not delegated. Further, shared management goes beyond departmental boundaries. In my interpretation, shared management involves a self-taken responsibility to create value for the company as a whole, and not only to fulfil obligations of one’s own group or department. It also involves a more informal solution to decentralisation; and one which Jelinek and Litterer find more appropriate in the context of entrepreneurship and innovation. As was mentioned previously, formal kinds of decentralisation are related to monitoring, controlling and accountability. Shared management, in contrast, is based on trust and commitment. Subordinates are expected to take responsibility – to act as managers – and are trusted to work for joint effectiveness. Something which they also do, according to Jelinek and Litterer.

Considering the above, we can now formulate a tension related to the principles for delegating responsibility. On the one hand, we can see a solution that is based on a formal kind of decentralisation and on accountability. On the other hand, we have in Jelinek and Litterer’s notion about 'shared management' an alternative which can be described as informal, and based on trust and commitment. These two alternatives also reflect two principles related to the aspect of separation; one principle which separates individuals and units, and one which is based on integration and sharing. The separative/integrative-dimension can also be discussed in relation to measurement and reward systems. According to a traditional model, described above in relation to output control and feedback systems, performance is often associated with goal fulfilment. Kanter (1985) for example depicts such a measurement system when writing that managers may be measured and rewarded on their capability to adhere to a plan. She also links this kind of system with an administrative management mode, since it is based on the idea that ‘good’ performances and outcomes can be determined in advance. If drawing a parallel to the creation of responsibility centres, it can be expected that measurement and rewarding are primarily...
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directed towards the performance of independent units and responsible managers (see also Stevenson, 1983; in relation to reward philosophy). Such a system is based on the idea that targets and performance measurements can be determined for specific areas or units, and that such a fragmentary system will lead to an efficient use of resources. However, and as was mentioned before, in the context of entrepreneurship this is argued not to be the case. Entrepreneurship researchers often stress the importance of boundary-crossing (e.g. Kanter, 1985) and networking (e.g. Johannisson, 1996) for creating overall welfare of the company. If considering the underlying assumptions which may be linked to entrepreneurship, what implications may they have on performance measurement systems, as well as reward systems? It can for example be suggested that performance should be measured and rewarded based on the value creation of the company as a whole, irrespective of a predetermined plan and preset goals (see e.g. Stevenson, 1983). Cornwall and Perlman (1990) also stress that reward systems have to be creatively and flexibly managed, in the context of entrepreneurship. In other words, the questions of who, what and when should not be answered in advance and may be interpreted differently in different situations. Hereby, Cornwall and Perlman touch upon two new opposing elements, i.e. rigidity and flexibility. This dimension has also linkages to the fourth attribute of tight control which was mentioned previously, i.e. the degree of tolerance for budget deviation (see 2.3.2). If having a low degree of tolerance for deviations from budgets and preset goals (tight form of control), it can be argued that e.g. budgets and performance measurements systems are rigidly applied. If having a high degree of tolerance, on the other hand, it can be argued that there is a more flexible use when evaluating and rewarding the performance.

Another aspect which is related to organisational control is the involvement by superior managers in activities and decision-making. In relation to innovation and entrepreneurship, this aspect is captured in a suggested balance between autonomy and freedom on the one hand and control on the other (see e.g. Davila, 2000). In management control literature this aspect is captured in a distinction between a diagnostic and interactive control (Simons, 1995), as well as between loose and tight forms of control. To start with diagnostic control, it can be argued to reflect a traditional view of organisational control (Simons, 1995). When a control system is used diagnostically, it is used according to the feedback model which was described earlier. It is in other words used in accordance with an output control mode. As already mentioned, this form of control – or use – can be argued to be problematic from an entrepreneurial point of view. An interactive use, which Simons presents as an alternative (e.g. 1995), is likened to a creative search. If linking these characteristics to the tight/loose-discussion, it can be argued that a diagnostic use reflects a tight form of control. However, and when focusing on the involvement by top
management – which is according to Van der Stede (2001; see section 2.3.2) one attribute related to tightness – another picture emerges. The idea behind diagnostic control is that subordinates should be left alone, as long as they meet targets. An interactive control is – on the other hand – characterised by a regular and close involvement by management. Considering this, it can be argued that interactive control is consistent with control tightness. This is also the conclusion Van der Stede (2001) makes after having scrutinised these notions more deeply. It should be noted that involvement – in interactive control – takes the form of dialogue and mutual learning, and not of directing and monitoring.

In the above reasoning, a number of opposing elements related to organisational control have been identified. They are summarised in figure 2-5, making up four tensions.

<table>
<thead>
<tr>
<th>1)</th>
<th>Formal accountability</th>
<th>Informal sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2)</td>
<td>Separative in space</td>
<td>Integrative in space</td>
</tr>
<tr>
<td>3)</td>
<td>Rigid</td>
<td>Flexible</td>
</tr>
<tr>
<td>4)</td>
<td>Diagnostic</td>
<td>Interactive</td>
</tr>
</tbody>
</table>

**Figure 2-5: Organisational Control Tensions**

### 2.3.5 Dilemma, Duality, Paradox, or…?

In the preceding text, I have identified a number of tensions which may have to be balanced when using management control systems in entrepreneurial organisations. However, the exposition does not say anything about the character of suggested tensions. What may characterise these tensions? In order to scrutinize this question and possible answers, we have to elaborate on the meaning of duality, dilemma, paradox, and similar 'dual' concepts.

Janssens and Steayert (1999) notify that dual thinking is becoming increasingly frequent in management and organisation theories. It is in other words common to talk in terms of paradoxes, dualities and dilemmas, and in terms of tensions between opposing elements. This way of thinking has also been explored within the field of entrepreneurship and innovation (ibid.).
Johannisson (1996), for example, presents entrepreneurship as a paradoxical phenomenon. He also argues that the use of paradoxes grasps the contradictory character of entrepreneurship. Gaddefors (1996) – as another example – suggests that the creative process which entrepreneurship involves can be understood as a balance between tensions. In this context, he also mentions paradoxes. Later in his study, he develops a number of paradoxes which – according to Gaddefors – capture the entrepreneurial process and consider the dynamic character of the process.

In their book, Baden-Fuller and Stopford (1994) – as one example – reason in terms of dilemmas. They suggest that many management problems can be seen as resolving dilemmas, and not as choosing between irreconcilable opposites. Based on their own observations, they further argue that this is what differentiates entrepreneurial organisations from mature businesses. According to Baden-Fuller and Stopford, entrepreneurial organisations seek to a larger extent to resolve dilemmas than mature businesses do. In my own study, in which Roxtec is studied, I identify a number of paradoxes which capture managers’ ideas about and use of management control systems (Lövstål, 2001). To mention another example, which is characterised by dual thinking, the book edited by Pettigrew et al. (2003) is an appropriate one. Several chapters in this book on innovative forms of organising deal with dualities, and the managing of such.

Even if this way of thinking – in terms of e.g. dualities, dilemmas or paradoxes – is far from new (see Sánchez-Runde & Pettigrew, 2003), it seems that such an approach has been increasingly used, both within management and organisation theories in general and within studies on entrepreneurship. It can also be stated that a common thread – in texts and studies which adopt this kind of dual thinking – is that the crucial matter is not to choose sides, or to lean more towards one side or the other (ibid.). The crucial thing is to combine elements from both poles, as discussed by e.g. Baden-Fuller and Stopford (1994) and Watson (1995).

As the above presentation indicates, dual thinking is captured and discussed by using different terms and notions. Even if these terms are used interchangeably by some authors (cf. Janssens and Steyaert, 1999), it can be argued that there are differences in meaning between them. In their review of these terms, Janssens and Steyaert point at some major differences (see also Achtenhagen & Melin, 2003). Referring to Evans and Doz, Janssens and Steyaert define dualities as “opposing forces that must be balanced” (1999, p. 122). They further stress that dualities are both contradictory and complementary, contrary to e.g. dilemmas. A similar distinction is made by Achtenhagen and Melin (2003). They define a duality as “two distinct interdependent elements, which are opposing and complementary” (p. 309). They also suggest that – when it comes to dualities – the challenge is not to decide between options, but to
manage them in their entirety. A dilemma, on the other hand, reflects more of an either-or situation. According to Achtenhagen and Melin (ibid.), dilemmas occur when it is difficult to choose between two options, which both have its advantages and disadvantages. A paradox does not – like dualities – call for an option. Neither does a paradox allow for a balance between elements. A paradox is described as a contradiction which has to be accepted or possibly dissolved by changing relationships between elements (ibid.). The different meanings of these terms are briefly summarised by Janssens and Steyeart. They write:

“Paradoxes emphasize simultaneous presence of contradictory elements, while dilemmas refer to the impossible choice, and dualities stress complementarity.”

Janssens & Steyeart, 1999, p. 122

Trade-offs, which Achtenhagen and Melin (2003) bring up as still another alternative, can be seen as a number of possible solutions on a continuum between two opposite poles. It means that more of one pole involves less of the other. If considering previous described conceptualisations, it seems as many of them are based on a trade-off idea. Cornwall and Perlman (1990) for example explicitly write that their organisational types – each with a specific management philosophy – display end points of a continuum (p. 18). Also the framework presented in e.g. Stevenson and Gumpert (1985) reflects end points on a continuum.

However, previous discussion on a number of dual terms indicates that tensions can be approached differently than what a trade-off suggests.

Table 2-6: Dual Terms and Their Meanings

<table>
<thead>
<tr>
<th>Tensions as...</th>
<th>Involves...</th>
</tr>
</thead>
<tbody>
<tr>
<td>a dilemma</td>
<td>an impossible choice</td>
</tr>
<tr>
<td>a trade-off</td>
<td>possible solutions on a continuum</td>
</tr>
<tr>
<td>a duality</td>
<td>contradiction and complementarity</td>
</tr>
<tr>
<td>a paradox</td>
<td>simultaneous presence of contradictory elements</td>
</tr>
</tbody>
</table>

The distinct meaning of each term and related tension is summarised in table 2-6. Accordingly, these distinctions suggest that tensions and opposing elements can be approached differently. This is an aspect which will be considered when analysing and interpreting the use of management control systems in relation to identified tensions.
2.4 A Suggested Balancing Framework

Up to this point I have identified a number of opposing elements and tensions. These elements and tensions are related to planning, decision-making or organisational control; processes which are central to management control and often discussed in relation to corporate entrepreneurship. If summarising this, an overall balancing framework can be presented according to figure 2-6:

<table>
<thead>
<tr>
<th>Planning</th>
<th>Instrumental</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td></td>
<td>Tight</td>
<td>Loose</td>
</tr>
<tr>
<td></td>
<td>Separative in time</td>
<td>Integrative in time</td>
</tr>
<tr>
<td>Decision-making</td>
<td>Rational</td>
<td>Intuitive</td>
</tr>
<tr>
<td></td>
<td>Profound</td>
<td>Shallow</td>
</tr>
<tr>
<td></td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td>Organisational control</td>
<td>Formal accountability</td>
<td>Informal sharing</td>
</tr>
<tr>
<td></td>
<td>Separative in space</td>
<td>Integrative in space</td>
</tr>
<tr>
<td></td>
<td>Rigid</td>
<td>Flexible</td>
</tr>
<tr>
<td></td>
<td>Diagnostic</td>
<td>Interactive</td>
</tr>
</tbody>
</table>

**Figure 2-6: A Framework for Analysing the Use of Management Control Systems**

I have also declared that identified tensions can be dealt with and approached differently; something which is captured in the model by the square in the middle. The framework does not hold a preference towards any of the ‘sides’. The aim is not to suggest that an entrepreneurial organisation should lean towards the right hand side. An underlying assumption is instead that presented tensions can be coped with in many different ways, still fostering entrepreneurship. Another assumption – or idea – is that each tension involves a management challenge for the growing medium-sized company, aiming at both entrepreneurship and professional management.
3 Studying MCS in Entrepreneurial Organisations – Methodological Considerations

3.1 Introduction

There are many possible approaches and methods to the empirical study of the use of management control systems in entrepreneurial organisations. Traditionally, corporate entrepreneurship has primarily been investigated by testing hypothesis with the use of surveys (see e.g. the review presented by Zahra, Jennings & Kuratko, 1999). A common theme is that a firm’s level of entrepreneurship is influenced by internal and external factors (see e.g. Covin and Slevin, 1991; Zahra, 1993). One aim has been to statistically find relationships between different internal and external contingencies and entrepreneurship. Early examples of such empirical studies, where these relationships are searched for and where managerial dimensions are included, can be found in Miller and Friesen (1982) and Miller (1983). Within this type of research, management control systems are examples of internal contingencies.

This research approach is quite common also in more recent works. Barringer and Bluedorn (1999), for example, investigate the relationship between five strategic management elements – e.g. planning flexibility and planning horizon – and the intensity of corporate entrepreneurship. Another more recent study, which is based on a similar research approach, is presented in Covin, Green and Slevin (2006). Using a sample of 110 firms they examine variables such as decision-making participation and strategic formation mode, and their moderating effects on the relationship between firms’ entrepreneurial orientation and sales growth (cf. also Dess, Lumpkin & Covin, 1997; Lumpkin and Dess, 2001). A last example is found in the article by Hornsby, Kuratko and Zahra (2002), in which they describe an empirical study with the aim of identifying and testing internal organisational factors which are assumed to influence corporate entrepreneurship activities.

Accordingly, research methods, which are based on hypothesis testing, large samples and statistical analysis of relationships, are commonly used within the field of corporate entrepreneurship in general. They are also commonly used within studies that focus on internal organisational factors – such as managerial control systems – specifically. Other research methods have however been asked
for. Khan (2004) for example emphasises that we – in order to increase our knowledge about management practices in entrepreneurial organisations – have to use multiple approaches and research methods, and not only the traditional path of testing hypotheses. He suggests that we should borrow research methods from other fields, e.g. sociology and labour relations. Rae (2001) on his part asks more specifically for case studies, which he himself uses for exploring the concept of entrepreneurial management. A request for more qualitative approaches and methods – of different kinds – has also been brought forward by researchers focusing on independent entrepreneurship (e.g. Steyaert, 1997; Gartner & Birley, 2002) as well as strategic management (e.g. Langfield-Smith, 1997).

Savage and Black’s (1995) review of a number of studies focusing on firm-level entrepreneurship provides us with some examples of more qualitative field research. In the review, they bring forward a handful of studies which have used participant observation, informal conversation, semi-standard interviews as well as archival research for data collection. By analysing underlying teleological and epistemological ideas and by putting them in a wider methodological context, Savage and Black conclude that several future methodological opportunities remain for corporate entrepreneurship researchers who want to exploit the advantages of in-depth field research. A contemporary example, whose researcher obviously has used this opportunity, is the work by Hjorth (2001). Adopting a poststructuralist approach and using ethnography, he investigates and critically discusses the process of re-organising an organisation into a more managerial and entrepreneurial one. His study is also an example of a study using a discourse perspective on entrepreneurship and management (see also e.g. Rigg, 2005). Ethnography – as a research method – is also used within Forslund’s study (2002), which focuses on entrepreneurship on the shop floor. In this study – which leans towards social constructionism – story-telling and narratives constitute a central part, both for interpretation and for presentation. The research project reported in Carrier (1997) is an example of a more traditional form of field work; the use of case research. Her investigation is based on a limited number of cases, in which more in-depth interviews have been made with managers. Even if not representing a complete examination, the above review still indicates that there are many possible research approaches and methods to choose among.

This study use a case study approach as an overall research strategy. It means that a limited number of cases have been investigated. As stressed by several researchers (e.g. Merriam, 1994), such an approach enables a more holistic and deep investigation of each case, than e.g. survey research does. This study is based on two cases; two medium-sized growing companies which both have been identified as ‘entrepreneurial ones’. I label my study a qualitative case study, with links towards phenomenology and hermeneutics. It can further be
clarified that it is based on interviewing, as a main research method. I have—like Carrier (1997)—conducted in-depth interviews with primarily managers in the two companies.

The aim of this chapter is to develop this reasoning and describe the research design, both with respect to overall research strategies and more specific research methods. The aim is also to justify and explain chosen strategies and methods. When deciding what strategy and methods to use, there are several aspects to consider, e.g. epistemological points of departure, the character of the phenomenon, and stated research questions and purposes of the study. Such aspects are discussed in relation to chosen strategies and methods. Thereafter I describe the research process from a more practical point of view. Here, I touch upon issues such as included cases, interviewees, preparations, interview questions, and the proceeding in interpretation and writing.

3.2 Presenting Overall Research Strategies

3.2.1 A Qualitative Case Study Approach

The literature on qualitative research reveals many possible approaches and strategies that can be classified as field research. The *Handbook of Qualitative Research* (Denzin and Lincoln, 1994) describes and discusses several different ‘strategies of inquiry’. Here you find descriptions of grounded theory, case studies, ethnography, phenomenology, clinical research etc. Alvesson and Sköldberg (2000) discuss many of these as well, most of them under ‘data-oriented methods’; hereby stressing the closeness to empirical material. To these more empirical-oriented techniques and procedures, they add approaches based on hermeneutics, critical theory and e.g. postmodernism. Kvale (1997) – on his part – discusses qualitative interviewing in relation to four overall approaches; postmodernism, hermeneutic, phenomenology and dialectics.

In order to clarify my chosen strategy, I label it a case study approach. Such an approach involves many possibilities with respect to both overall methodological issues and mere methods for inquiry. It is further not obvious what is meant by a case study (Merriam, 1994). Sometimes it is used synonymously with field research; of the kind just mentioned previously. However, and in order to clarify what a case study approach is all about, it is often put in contrast to an experimentation and survey approach (see e.g. Hammersley & Gomm, 2000). In organisation and management research, where experiments are difficult to conduct, a case study approach is often presented as an alternative to a survey; bringing a different kind of knowledge of a phenomenon. It is from such a perspective, I categorise my piece of work as a
case study, and particularly as a qualitative case study. In comparison with surveys, it is often stressed that a case study enables a deeper understanding of a phenomenon, since information of a larger number of features can be investigated and analysed (cf. e.g. Hammersley & Gomm, 2000). Besides, it is often claimed that a case study makes it possible to study the phenomenon in its context. This is for example stressed by Yin (1989) when explaining that a case study involves an investigation of a phenomenon in its real life context. Case studies are further often recommended when the research addresses why- and how-questions (e.g. Yin, 1989; Merriam, 1994).

Considering this, a case study approach was considered as an appropriate alternative for my piece of work. It could of course be possible to study management control systems in entrepreneurial organisations by using a broader survey approach, thereby including more organisations within the study. As the previous review reveals, such studies have also been conducted. An important contribution from these studies is that they provide us with some knowledge about the characteristics of management control systems within entrepreneurial organisations, even if the results so far are somewhat dispersed. But, and as e.g. Langfield-Smith stresses (1997), they do not give us a deeper understanding of how the systems are used and why it looks as the results suggest. This is what my study aims at. Not only do I want to describe management control systems in entrepreneurial organisations, with respect to design and use. I also want to deeper understand the use of these systems by relating it to a balancing framework of opposing elements. Such an aim requires an approach which makes it possible to also capture the context in which management control systems are used. The question of why is also more directly addressed in one of the research questions of this study, presented in section 1.4; i.e.:

• If, and if that case, why do managers use management control systems?

Accordingly, I also more directly ask for explanations for the use of management control systems. Such explanations, provided by the actors themselves, require a closer contact to the users than e.g. a survey provides. Case studies enable such closer contact, stressed by e.g. Lukka when writing:

“In case research, the researcher has direct and in-depth contact with the target(s) of the empirical investigation…”

Lukka, 2005, p. 375

It is sometimes stated that a major shortcoming of case studies is that results can not be generalised (Stake, 2000). When claiming this, it is normally empirical generalisations that are referred to, obtained by statistical analysis. If aiming at
such generalisation, it should be possible to draw conclusions – from the investigated cases – about members of a wider population. Even if it possibly could be argued that this is feasible when conducting case research (cf. Hammersley & Gomm, 2001), it is not the overall aim of this study. Another kind of empirical generalisation is however aimed for; the one that Merriam (1994) calls ‘user generalisation’. It may be that the reader or user recognises the situation, and can draw parallels to her or his own situation. Here then, it is the reader that determines if – and in what respects – the results could be generalised to another situation. Such generalisations require deep descriptions of the situation, so that the reader can determine this. Another ambition is to accomplish – what is sometimes called – theoretical generalisation (see e.g. Hansen, 2005). It means that results from the study contribute to theory. Such theoretical generalisation is not accomplished by statistical analysis, but through interpreting interview statements, looking for patterns, making comparisons between empirical observations and theoretical concepts and models, and through questioning previous management models.

The choice of making a case study does not necessarily point in the direction of a certain paradigm or overall perspective (cf. Hammersley & Gomm, 2000). Case studies – even if restricting it to qualitative case studies – can be approached from different paradigmatic perspectives, e.g. ethnography, ethnomethodology and social interactionism (see e.g. Lukka, 2005). I find it hard to position my study within a specific school of thought, and to label it as a certain kind of study. Possibly, it can be stated that it has connections to primarily phenomenology and hermeneutics. Similar to phenomenological studies, it is characterised by closeness to the empirical material and by an interest in the actors’ own perspective of a phenomenon. It means that the actors’ descriptions and stated ideas about management control systems play a crucial role when interpreting the use in relation to the framework and its opposing elements. By linking my study to hermeneutics, I want to stress the process of interpretation. A central idea in hermeneutics is the idea of a continuous interplay between distance and closeness, as well as between pre-understanding and understanding, when interpreting the meaning of a statement or a description (see e.g. Alvesson and Sköldberg, 2000). In this hermeneutic circle, it can be argued that theory constitutes a central part, representing distance and pre-understanding. In a similar way, we can also discuss in terms of a continuous interplay between the general (theory) and the specific (empirical observations). Accordingly, and even if describing the study as empirically close, theory and previous research have actively been used throughout the process, in an aim to reach high abstraction levels or – what Alvesson and Sköldberg (1994) call – deep structures. Both phenomenology and hermeneutics are normally linked to a qualitative research tradition. Considering this, it seems appropriate to label my case research as a qualitative
one. Besides, my previous reasoning regarding the kind of information that is searched for and the kind of generalisations that is aimed at belong primarily to a qualitative tradition.

A last issue which will be addressed in this section concerns the number of cases. Single-case studies have – according to Chetty (1996) – been most frequently used, even if multiple-case studies have increased its popularity. A single-case study was also used within my licentiate thesis (Lövstål, 2001). In this thesis project, I have chosen to conduct a multiple-case study, and more precisely include two cases in the study. The reason is that several cases provide good opportunities for theory development and for abstraction from empirical material to empirical and theoretical patterns (cf. surface and deep structures, in Alvesson and Sköldberg, 1994). When using a multiple-case study, a single case is not only interpreted in relation to theory and previous research, but also in relation to other cases. The reason for including several cases is also that we can learn more about the individual case, by comparing its likeness and difference to other cases. It should be noted though that the overall aim of this study is not to make comparisons between cases. The study is therefore not designed for concentrating on comparisons. So, even if including several cases and to some extent comparing them, the interest still lies in the single case and what we can learn from it (cf. Stake, 1994). This is also reflected within the presentation, and the structure of the thesis. As will be seen, a lot of space is devoted to each case and the structure is centred around them. It can also be stressed that there is a third case acting in the background; the case which was studied in my licentiate thesis project. Undoubtedly, it constitutes one part of my pre-understanding, and has also worked as a sounding board for interpretations of the two included cases.

3.2.2 Interviewing

The decision to conduct a case study is not really a methodological choice, as e.g. Stake stresses (1994; see also Merriam, 1994). Contrary to e.g. phenomenology and ethnography, it does not say anything about the methods of inquiry that has been used. Actually, this can be stated as one of the strengths of the case study method – it enables multiple forms of empirical inquiries (see e.g. Chetty, 1996; Lukka, 2005). When conducting a case study, there are then several methods of inquiry to choose among. I have already indicated that I have used interviewing as my main method. There are several reasons for this. First, I have explained that I am – similar to phenomenological researchers – interested in actors’ experiences and descriptions of a phenomenon. When having such an interest, qualitative interviewing is an appropriate method. Kvale (1997) – as one – indicates this when stressing that it is through conversations and interviews that we "get acquainted with other people, get to know something about
their experiences, feelings and hopes, and the world they live in” (1997, p. 13, own translation). Secondly, the aim is to say something about the use of management control system on a firm-level. As was explained in the introductory chapter, I want to get an overall picture of managers’ use within the companies, and not a picture of single individuals, departments or situations. Qualitative interviewing is a method in which this is possible to accomplish, and with the use of limited resources. When doing such an interview, you can ask questions of different character, both general ones (e.g. about the general practices in the company) and specific ones (e.g. what the interviewee would do in a particular situation). You can also ask questions to a number of actors. Hereby, you get a holistic – and still nuanced – picture of the company, quite efficiently. Observations, which could be an alternative, are more limited in space and time. What you see and observe is highly dependant on the situation and present individuals.

A qualitative interview can take many different forms, for example with respect to formality and structure. Fontana and Frey (1994) portray two different types of interviews linked to phenomenological purposes. On one hand, we have an informal spontaneous kind of interview, in which the question format is much unstructured. Here, we can draw a parallel to a traveler metaphor (cf. Kvale, 1997). The researcher wanders about, naturally within the research setting, and poses questions to those she meets in a highly unstructured way. On the other hand, we have a more formal and semi-structured interview, where the interviewer and the respondent sit down together for a more formal talk. Here, the respondents are approached before the actual interview situation. An overall structure and question themes are prepared in advance, still allowing for some flexibility and receptivity. Among those two types, the last one is closest to the interview I have used. The reason for conducting a more formal and structured kind of interview was that I had a clear idea about who to talk to and about what, at least on an overall theme level. It made it possible to approach some of the respondents in advance and to prepare questions based on a number of themes. My empirical inquiry was less exploratory than what the first alternative points at. Still, the interviews were far from the kind of structured interviews which is often discussed in relation to more quantitative research.

Qualitative interviewing of this kind has been criticized and questioned from different paradigmatic directions. A question which is sometimes posed is (cf. Kvale, 1997): How do you know that you understand what the interviewees ‘really mean’? It can be argued that such a question is based on an ore metaphor; that there are lumps of meaning (ore lumps; cf. Kvale, 1997) that I as a researcher should try to find. Another question which is sometimes brought forward when discussing qualitative interviewing is: How do you know that the respondents’ descriptions correspond with what they actually do? Here, it is
often suggested that one should complement the interviews with observations. If such a suggestion is based on the idea that observations may be a way of controlling the truthfulness in interview statements, it has linkages to the ore metaphor as well. It is based on the assumption that there is a ‘real’ world that should be searched for. Regarding unspoiled lumps of meaning, this is also touched upon by Silverman (1993). He does not ask for such lumps though. On the contrary, he claims that many qualitative interview studies reflect a belief in a simple relationship between the actors’ account and real life. Researchers behind such naïve interviews – according to Silverman – fail to recognize that empirical material never is raw, but situational and contextual. Alvesson and Sköldberg (1994) also touch upon a naïve attitude underlying some qualitative interviews. They question the idea that it is possible to simply mediate lumps of meaning, from the actors’ statements to a text. They stress that empirical material is always interpreted by the researcher and that she never can function simply as a mediator.

The aim of my work is not to find unspoiled lumps of meaning. Many researchers claim that communication – which qualitative interviews is an example of – is not about getting information. It is about creating meaning and a mutual understanding (Heide, Johansson & Simonsson, 2005; see also e.g. Engquist, 2002). Heide et. al introduce their book by claiming (my translation):

“People do not want to have information, they want to understand.”
Heide, Johansson & Simonsson, 2005, p. 9

This can be applied on me, and my interviews. I want to understand. Furthermore, I do not have the ambition to send information on to a reader, i.e. to act as a mediator. The ambition is to interpret; to create a meaning. Neither do I see my involvement in the interpretation process as a weakness. On the contrary, to see something through the eyes of the researcher can be seen as a major strength of qualitative research (cf. Donmoyer, 2000). Having e.g. theoretical knowledge and training in abstraction, the researcher can see things and observe patterns that we otherwise may not have seen. I have no ambitions to diminish my role in the interpretation process, which is something we will turn to next.

### 3.2.3 Hermeneutic and Reflective Interpretation

The aim of this section is to describe some overall principles behind the interpretation process, in which I try to move “from the field to the text to the reader” (Denzin, 1994, p. 500). What line(s) of approach have I adopted when interpreting the interviews and when trying to make sense of the actors’ many statements and descriptions? Before discussing this part of the interpretation
process, it may be relevant to stress that interpretation in my view is an extensive and all-embracing activity. First of all, interpretation is nothing that is left for an analysing part of the research process, and after the empirical investigation has been finalised. From the researcher’s point of view, interpretation goes on continually – when preparing questions, when listening to the actors’ statements, and when reading articles (cf. Lövstål, 2001). Secondly, interpretation is not an activity which exclusively involves the researcher. Also participating actors are involved in this activity, when interpreting the research project, the situation, and specific research questions (cf. e.g. Alvesson & Sköldberg, 2000). The reader can be appointed as still another interpreter. When reading about the research project and its results, the reader makes her interpretation of it.

Such ideas – that the whole interpretation process and all material are infused with interpretation – are brought forward by e.g. Denzin (1994) and Alvesson and Sköldberg (1994; 2000). Denzin (1994) – in the Handbook of Qualitative Research – starts his chapter by stating:

“IN the social sciences there is only interpretation. Nothing speaks for itself.”

Denzin, 1994, p. 500

A similar view is expressed by Alvesson and Sköldberg (2000). Also addressing primarily social sciences, they emphasise that research is an interpretative activity and an activity which goes on all the time. They further stress that, it is important to be aware of this continuous interpretation process and to reflect upon it. Such awareness and reflection may be seen as one important aspect of – what they call – ‘reflexive interpretation’.

If returning to the interpretation process in which I – as the researcher – try to make sense out of empirical material and create meaning from the actors’ statements, it is quite difficult to describe briefly. Unlike some quantitative and statistical analysis, there are no specified techniques to choose among and no formal procedures to strictly follow. This is for example pointed out when Denzin (1994) likens interpretation within qualitative research to an art. He writes:

“I call making sense of what has been learned the art of interpretation.”

Denzin, 1994, p. 500

A similar association is made by Kvale (1997) when arguing that qualitative research – as with art and handicraft – deals more with tacit knowledge than with following prescribed research rules. If still trying to describe my interpretation process, it can possibly be done in terms of hermeneutics and reflection. If starting with hermeneutics, I have already drawn a parallel between
hermeneutic lines of thought and my study, in an overall sense. When doing it here, and in the context of interpreting interviews, a link to hermeneutics indicates that my interview material can be seen as a ‘text’ which should be interpreted. Such an association is made by e.g. Kvale (1997) who also discusses the differences between a literary text – which is normally discussed in the context of hermeneutics – and interview material. One major difference, which Kvale brings forward, is that I – the researcher and interviewer – has been involved in the creation of the ‘text’. Another difference is that I – being a part of the interview situation – have more contextual understanding of the situation in which the ‘text’ was created. These two differences can be seen as advantages when interpreting the material, but also something to be aware of and to reflect upon. A link to hermeneutics further reveals something about how the interview material has been interpreted. Thinking in terms of a hermeneutic circle, this has been done by alternating between the whole and the part, and between distance and closeness (see e.g. Kvale, 1997; Alvesson & Sköldberg, 2000). By such alternations, the aim has been to reach a deeper understanding and to gradually interpret on higher abstraction levels. My interpretation process can therefore be described and understood in terms of several rounds of higher (or deeper) interpretation, as will be seen in a later section which deals with the practical work of interpretation (3.3.3).

Alvesson and Sköldberg (2000) discuss reflection in relation to four different levels. On the first level, the focus is on empirical material, such as interview material, and the interaction with it. Here, reflection involves a continuous interplay between empirical material and theory. The researcher allows the empirical material to inspire, develop and shape theoretical ideas, at the same time as using theory for considering different meanings in the material. In this context, Alvesson and Sköldberg stress the importance of having a broad and varied repertoire of interpretations. The trick is then to become familiar with alternative theories. For my study, it means for example that I – throughout the interpretation process – have looked for new and alternative theories, which can be used for interpreting interview statements and understanding the phenomenon. It further means that my frame of reference has emerged gradually during the interpretation process.

At the second level, the attention is directed towards underlying meanings. Here, reflection is related to the recognition that all research work involves interpretation. This – in its turn – involves an awareness of and reflection upon pre-understandings and assumptions and how these determine interpretations and presentations. Such reflection can be accomplished by e.g. alternating between distance and closeness, in accordance with hermeneutic ideas. As will be seen, my research process has been characterised by periods of intensive interviewing and by periods of distance to the empirical setting. During the process I have further kept returning to original interview ‘texts’, for example
when having made more interviews, and when having approached new theoretical areas.

The third and fourth levels of reflection address the questions of (1) ideology and power and (2) writing and language use. Regarding reflection upon ideology and power, it means that I should show awareness about the political and ideological context in which my research in general and interview statements in particular are embedded. More concretely, and in relation to my study, this kind of reflection is for example expressed in some attempts to consider dominating management ideas, and their reflections in interview statements. With respect to the process of writing and presentations of research projects, this also requires some reflections according to Alvesson and Sköldberg (2000). The research report is not simply an account of an extrinsic reality. It is a text which has been produced by me – the researcher – and which is interpreted by the reader. That the writing process is seen as important and a somewhat problematic activity, which has to be reflected upon, is for example indicated later in this chapter. There I have a separate section on writing, in which I try to explain and discuss my logic in writing.

Considering these four levels of reflection, it can be argued that all are manifested in my research process. However, and when linking my study to primarily phenomenological and hermeneutic lines of thought, it signals a focus on the first two levels. This can also be argued to be the case. Elements of reflection related to the first and second level dominate in the study. This is also why I started this section by discussing the interpretation process in terms of hermeneutics. Elements related to the third and fourth level are paid less attention to, and particularly if comparing my study with a study that leans towards critical theory and post modernism (see e.g. Hjorth, 2001).

### 3.3 Implications for the Practical Work

#### 3.3.1 Choosing Companies and Interviewees

In a case study, the selection of cases becomes a crucial matter. Stake (1994) even claims that a proper selection of cases may be the most important thing in some studies. Eisenhardt (1989) emphasises that cases should not be selected randomly and for statistical reasons, but for theoretical reasons. They should in other words be chosen since they seem to provide good opportunities for e.g. extending an emergent theory, replicate a previous case, or for filling theoretical categories (ibid.). Considering the limited number of cases that can be studied Eisenhardt further recommends that we should choose extreme cases or polar
types. Stake (1994) – on his part – suggests that we should select those cases from which we feel we can learn the most.

As mentioned in the introductory chapter, my empirical study is based on ‘good’ examples, in respect to growth and entrepreneurship. More precisely study is based on two companies, which can be described as both growing and entrepreneurial. When selecting these companies, a crucial thing was the question on how to identify ‘entrepreneurial’ companies. One alternative was to use one of those operationalisations which have been developed and which aim at measuring the degree of entrepreneurship within companies (see e.g. Brown, Davidsson & Wiklund, 2001). A proper selection would then have been to choose those organisations which – according to the measurement scale – show a high degree of entrepreneurship. Another alternative, which was adopted in this study, was to more subjectively identify and select companies. Here then, I used my definition of entrepreneurial organisations as a point of departure. As may be remember, I described an entrepreneurial organisation as an organisation “which is characterised by an ability and willingness to pursue opportunities – to innovate – in order to vitalise and redefine the organisation per see, its market and the industry” (see 1.5.1).

In order to identify companies which have proven to have such ability, I contacted a number of actors who are well-acquainted with the local industry. Those were primarily people who are engaged in regional business networks, who work in organisations that offer consultation to local businesses, or who – for other reasons – have many contacts with local business actors. I asked them to name companies within the region which they perceived as particularly good at innovating and creating new solutions, in order to strengthen their respective position in the market. A limited number of companies – some of them very small – were brought forward and described as entrepreneurial by these actors. When excluding the smallest ones, four companies stood out since they were mentioned by almost all contacted actors. One of these four did not want to participate in the study, due to a major organisational change. A second one had already been studied, in my licentiate project. The remaining two accepted to participate, and are therefore the ones included in the study. In the thesis I call them Soft Tel and Family Tech. Before definitely including them in the study, I did examine them in order to see if they also signalled a willingness to innovate. This was done by scrutinising their web-sites and by making a first introductory visit to each company. I also judged them in relation to two other criteria: (1) they should have grown to a size when a more professional kind of management is needed and when management has become an intriguing issue, and (2) they should be old enough to be considered as quite well established in the market. Both Soft Tel and Family Tech fulfilled these criteria. Both companies can also be described as growing companies. In all these respects, they are also similar to Roxtec, which was included within my licentiate thesis (Lövstål, 2001). At the
time of my study, Roxtec was described as an entrepreneurial, medium-sized, growing and well established company.

Soft Tel and Family Tech are also different from each other in several respects. They are for example acting in very different industries and markets. A more intriguing difference – when considering the focus of this study – is their governance systems. Soft Tel was founded as a development department in a large Swedish company. A number of years ago, it was turned into a limited company with more autonomy and responsibility. And when I make my empirical study, Soft Tel is a subsidiary to an organisation which in its turn is owned by a number of important actors in the industry. It means that Soft Tel is strongly dependent on the owners’ willingness to invest in the business. It further means that Soft Tel – to some extent – is governed by its mother company and from the head office at London.

Family Tech can be described as a family business. The entrepreneur who started the business still owns the majority part together with his family. Even if they have an external managing director, the founder is still heavily involved in the governance of the company. Regarding the board, there are no external members, only people actively involved in the business. If comparing Roxtec with Soft Tel and Family Tech with respect to governance, a third picture emerges. Roxtec was founded by four colleagues who, at the time of my empirical study, owned the company together. They were also all members of the board, and each responsible for a department or area. One person dominated though, being the main owner and the company’s managing director. He also represented the company externally and was appointed as the ‘real’ entrepreneur by the other members. The board of Roxtec also included some external members. It can be assumed that these differences with respect to governance structure have implications on the use of management control systems in the companies. Even if not being the main question, the governance structure may be important to consider when trying to understand the use of these systems.

After having selected companies, the next step was to decide who to interview. Previously, I stated that I had a quite clear picture of whom to approach and talk to. These groups can be categorised in the following way:

1) **Company experts**: people who knew the company and its history very well, and who could give me a first understanding of it.

2) **Accountants or controllers**: people responsible for budgeting, accounting and reporting, and therefore able to describe the management control system for me.

3) **Managers**: managers who use described management control systems.
Feasible individuals, representing the first two groups, were suggested by the companies’ managing directors when I first met them for a presentation of my project and for a discussion on the cooperation. Regarding the first group of ‘company experts’, the persons presented in Table 3-1 were selected in accordance with the suggestions from the managing directors.

Table 3-1: Presentation of Interviewees - Group 1

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>Position</th>
<th>Functional Area</th>
<th>Managerial Level</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Tel</td>
<td>Paul</td>
<td>Product manager</td>
<td>Product Management</td>
<td>Second</td>
<td>Founder/ member of management group/board member</td>
</tr>
<tr>
<td>Family Tech</td>
<td>Lasse</td>
<td>Managing director</td>
<td></td>
<td>First</td>
<td>Owner/ board member</td>
</tr>
</tbody>
</table>

The overall aim of talking to these two persons was to increase my knowledge and understanding of the companies. Paul and Lasse provided me with lots of information regarding their companies’ history, their business ideas, product offerings, markets, organisations and the financial situation of the companies etc. An interview guide, which highlights the topic which these interviews covered, is found in Appendix 1. The interviews were complemented with written material, primarily the companies’ web sites. Information was also searched for in newspapers, industry journals and on other web sites.

Two individuals, administratively responsible for and working with budgeting, accounting and reporting, were also suggested and appointed by the managing directors. They are presented in Table 3-2.

Table 3-2: Presentation of Interviewees - Group 2

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>Position</th>
<th>Functional Area</th>
<th>Managerial Level</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Tel</td>
<td>Murray</td>
<td>Controller/ head of Finance</td>
<td>Finance</td>
<td>Second</td>
<td>Employee</td>
</tr>
<tr>
<td>Family Tech</td>
<td>Sara</td>
<td>Accountant</td>
<td>Administration</td>
<td></td>
<td>Employee</td>
</tr>
</tbody>
</table>

They primarily described their duties as controller/accountant as well as the companies’ management control systems (see Appendix 2, for an interview guide). These four introductory interviews improved my knowledge and understanding of the companies in general, as well as their management control systems.

Then came the choice of the third group of people; the central group of interviewees. It is made up by managers who use management control systems for planning their areas of responsibility, for decision-making and for
controlling subordinates. Who to interview among the companies’ managers were crystallised during the process. However, I looked for some diversity with respect to managerial level, functional area and status. In total nine managers were selected (see table 3-3); some of them also occurring in previous two groups.

Table 3-3: Presentation of Interviewees - Group 3

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>Position</th>
<th>Functional Area</th>
<th>Managerial Level</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Soft Tel</strong></td>
<td>James S</td>
<td>Chief executive officer (CEO)</td>
<td></td>
<td>First</td>
<td>Member of management group/ board member</td>
</tr>
<tr>
<td></td>
<td>Paul</td>
<td>Product manager</td>
<td>Product Management</td>
<td>Second</td>
<td>Founder/ member of management group/ board member</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>Controller/ head of Finance</td>
<td>Finance</td>
<td>Second</td>
<td>Member of management group</td>
</tr>
<tr>
<td></td>
<td>Jeffrey</td>
<td>Head of Software Development</td>
<td>Software Development</td>
<td>Second</td>
<td>Member of management group</td>
</tr>
<tr>
<td></td>
<td>Eve</td>
<td>Marketing manager</td>
<td>Marketing</td>
<td>Second</td>
<td>Member of management group</td>
</tr>
<tr>
<td></td>
<td>James N</td>
<td>Program manager</td>
<td>Program Management</td>
<td>Third</td>
<td>Employee</td>
</tr>
<tr>
<td><strong>Family Tech</strong></td>
<td>Lasse</td>
<td>Managing director</td>
<td></td>
<td>First</td>
<td>Owner/ member of management group/ board member</td>
</tr>
<tr>
<td></td>
<td>John</td>
<td>Head of Research</td>
<td>Research</td>
<td>Second</td>
<td>Founder/ main owner/ member of management group/ board member</td>
</tr>
<tr>
<td></td>
<td>Bo</td>
<td>Production manager</td>
<td>Production</td>
<td>Second</td>
<td>Member of management group</td>
</tr>
</tbody>
</table>

A fourth group was identified late in the process; employees without a formal management position. This group was approached in order to give their perspective of some of the issues addressed in the study. They were not interviewed for controlling the truthfulness in managers’ statements and descriptions. Rather, these interviews can be seen as an attempt to strive for distance and reflection in the interpretation process. Since Sara – the accountant within Family Tech – was a representative of this group, only two employees from Soft Tel were added. Both worked at Software Development and were suggested by Jeffrey; head of Software Development. Altogether, this employee group was made up by the persons in table 3-4.
Table 3-4: Presentation of Interviewees - Group 4

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>Position</th>
<th>Functional Area</th>
<th>Managerial Level</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Tel</td>
<td>David</td>
<td>Software Development</td>
<td>Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pete</td>
<td>Software Development</td>
<td>Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Tech</td>
<td>Sara</td>
<td>Accountant</td>
<td>Administration</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It can be noted that the late interviews with David and Pete brought particularly one new and major insight into my understanding of Soft Tel. When talking to these two employees, I realised what a unique situation Soft Tel had been in during my main empirical study. During this period, the company was involved in a large development project which affected all parts of and processes in the organisation, even the use of management control systems. At the time when I talked to the David and Pete, this large project was at its end and everything was going back to a more normal situation. It means that the interviews by all Soft Tel members need to be interpreted in relation to this large project, and the unique situation that they were in when I made most of my interviews.

3.3.2 Conducting the Interviews

My first contacts with Soft Tel and Family Tech were made in March 2004. After having received a positive answer to my inquiry about participation in my study, I personally met James S and Lasse – managing directors of the companies. During these meetings I received a brief presentation of the companies. At this point, I also presented my project and tried to explain what kind of involvement participation would require. After this introductory meeting I started my interviews, first with Paul and Lasse, as representatives of the company experts (Group 1) and then with Murray and Sara (Group 2). These interviews were then followed by a number of interviews with those included within the third group; in other words with managers.

The main empirical study – and most interviews – was made between March and June 2004. During this period I talked with eight persons; five Soft Tel members and three Family Tech members (see table 3-5).
Table 3-5: First Interview Round

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>First interview</th>
<th>Second interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Tel</td>
<td>Paul</td>
<td>March 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>April 2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jeffrey</td>
<td>April 2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>James S</td>
<td>May 2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Eve</td>
<td>June 2004</td>
<td></td>
</tr>
<tr>
<td>Family Tech</td>
<td>Lasse</td>
<td>April 2004</td>
<td>May 2004</td>
</tr>
<tr>
<td></td>
<td>Sara</td>
<td>May 2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>John</td>
<td>May 2004</td>
<td></td>
</tr>
</tbody>
</table>

However, as the research process proceeded, the need to hold follow up interviews as well as to include more interviewees emerged. It meant that some interviews were conducted also in the autumn of 2004; one with a new participant (James N, in October 2004) and one with a person already spoken with (Murray, in November 2004). A third round of interviews was further made in the autumn of 2005, rather late in the research process. During this last round of interviews I talked to the persons presented in table 3-6.

Table 3-6: Third Interview Round

<table>
<thead>
<tr>
<th>Company</th>
<th>Actor</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Tel</td>
<td>Jeffrey</td>
<td>November 2005</td>
</tr>
<tr>
<td></td>
<td>David</td>
<td>November 2005</td>
</tr>
<tr>
<td></td>
<td>Pete</td>
<td>November 2005</td>
</tr>
<tr>
<td>Family Tech</td>
<td>Lasse</td>
<td>November 2005</td>
</tr>
<tr>
<td></td>
<td>Bo</td>
<td>December 2005</td>
</tr>
</tbody>
</table>

There were several reasons for making this last round of interviews. First of all, I wanted to have a more updated picture of the companies’ overall situation. I also wanted to follow up some expressed ambitions and plans. This related particularly to Jeffrey, who at my first interview recently had been appointed as the manager of Software Development and who expressed many ideas about how to improve the way of controlling and measuring the performance of the department. A third reason was to fill in perceived gaps, to ask questions about issues and matters that I had taken for granted or that had turned up late in the research process.

Altogether I made seventeen interviews with twelve individuals. With a few exceptions, the interviews lasted between one and two hours. They were all tape-recorded. During the interviews I used an interview guide, developed exclusively for each interview and person. I prepared a new interview guide.
before each interview, depending on the aim of the interview and the person to interview.

Each interview started with some introductory questions and topics related to e.g. the company, the interviewee and his or her department. After such background questions, the main interview started. The overall principle behind the main interview was to ask them to describe and explain their practices with respect to a number of tasks or processes. This was approached from two perspectives. On the one hand, I asked questions about the three overall processes, i.e. planning, decision-making and organisational control. For example, how do you plan the activities at the organisational unit that you are responsible for? On the other hand, I also asked questions related to management control systems, specifically. How do you read accounting reports? What figures are you interested in and what comparisons do you make? These are examples of questions that more directly addressed the use of management control systems. An interview guide, which exemplifies covered themes and asked questions, can be found in Appendix 3. Each interview guide was however adjusted to the interview person in question. When talking to James S – CEO at Soft Tel – planning e.g. referred primarily to strategic planning. When taking to James N – program manager and a project manager – the theme ‘planning’ concerned mainly project planning and departmental planning. And when talking to John, who among other things is responsible for research and development at Family Tech, I posed questions related to the overall planning of research as well as the planning of specific development projects.

In order to get a grasp of the managers’ use of management control systems, I further used different types of questions. One type of questions was very general in their character, addressing more universal and wide-ranging practises. What are the routines with respect to planning in your department? Another type of questions was specific in the sense of asking for the interviewee’s personal reactions and habits: What do you look at when you get the monthly report? What makes you react? Others were specific in the sense of addressing a specific situation or object: How did you reason when you decided to invest in this particular development project? What did you do when you realised that you were about to exceed your departmental budget? When asking these more specific kinds of questions, I either referred to a real event or situation (What happened when…?) or an imaginary one (What would happen if…?).

The reason for asking more specific and demarcated questions was twofold. One reason was to concretise more general and abstract discussions; to get concrete examples. Such concrete examples are useful when communicating, both orally and in written form. These examples can be used when writing the presentation and the thesis. They may also help the interviewees when trying to understand me and my questions, and vice versa. A second reason for asking
these more specific questions was that they provided me with a second picture of their practices and uses of management control systems. When posing more general question I probably get a picture of how they usually do, or how they should do according to norms and habits, both implicit and explicit ones. Through questions that address specific situations and events, I may also get a picture of how these practices work in practice, here in the meaning of real-life situations. In many situations, the interviewees automatically also explained and justified their use and practice. But if they did not, the questions of how and what were followed by a question of why. Why did they – or did not – use a system in the described way?

3.3.3 Analysing and Interpreting Interview Material

To elucidate the interpretation process is a delicate task. As being clarified, interpretation is nothing that is only conducted at the end of the research process when the empirical study is ended. Interpretation goes on continually; when preparing questions, when conducting interviews, when transcribing the interviews and when reading the transcriptions. As clarified in a previous section (see 3.2.3), nothing is free from my interpretation and nothing can be claimed to speak for itself (cf. Denzin, 1994). Furthermore, the interpretation process in this study has been likened to a hermeneutic circle, and as a continuous interplay between distance and closeness, between wholeness and details, and between theoretical constructs and empirical observations. To describe such a circle and interplay in a sensible way is difficult. I will still try to portray it below.

After the actual interview situation, a first interpretation was done when transcribing the material. To transcribe an interview is a time-consuming activity. Still, I find the work worth the effort in many respects. For example, when transcribing the material into text I get very well acquainted with my material. It helps me remember what I have talked about and with whom. I also remember specific utterances; utterances which may turn out to be useful later in the work. Besides, the result is not merely the interviewees’ answer to a question, but also how they say it. Did he/she hesitate before answering, or was it an immediate answer? Did the person in question answer in a way that indicated that she thought the question was peculiar, interesting or self-explanatory? When having transcribed the first round of interviews, I read them through, mainly to refresh my memory and to get a general and overall impression of the material. Here then, we can see an example of how I alternated between the whole and the part, as suggested within the hermeneutic circle. When transcribing the material I am focused on details and on specific parts, whereas I try to get a more holistic picture when reading the text all through.
After having transcribed and read through the material, I wrote quite comprehensive descriptions of both Soft Tel and Family Tech, based on the material I had at hand. These descriptions were more of freestanding summaries of my material than of preparations or introductions for a following analysis. For each company, the content comprised mainly background information, some overall management practices, the companies’ management control systems, and how growth and renewal were dealt with. The aim of writing these descriptions was to penetrate even more into the interview texts. When writing them, I had to go deeper into specific passages of the interviews and I also had to structure the material in a sensible way. They also made me realise that I had to make some complementary interviews, which were made during the autumn of 2004. James N, for example, appeared to be an important person to interview since he was heavily involved in much project planning at Soft Tel.

Another purpose behind these descriptions – or summaries – was to get a written material which could be discussed at research seminars and with colleagues. This was also the next step in the process; to present and discuss the descriptions at seminars and with colleagues. During such seminars – and during more informal talks – comments on both the content and the way of presenting the material was brought forward; comments which have influenced the final version of the presentations. However, most important – at that point – were discussions on how to use the material for further interpretation and analyses. Underlying such discussions was my idea of a management challenge in the context of growing entrepreneurial organisations, and particularly with respect to the use of management control systems. Having worked very close to the material, when writing these summaries, presentations on seminars were a way of getting more distant to the material and to reflect upon it more critically.

Discussions on seminars and with colleagues lead to the conclusion that I had to develop a more distinct framework, which could be used to interpret the material in a more systematic way. Previously, I had more intuitively noticed some overall patterns in each case, and differences between them. Now, a tool for a more organised interpretation process was asked for. Several attempts at constructing such frameworks were made and presented before choosing the present one; the one which is presented at the end of previous chapter. When having this framework at hand, I returned to the interview texts, this time looking for statements which could be interpreted in accordance with suggested management dimensions. Now then, I could read the texts more systematically, making comments in the margin when finding a statement which seemed to reflect an element in the framework. Important was also to reflect upon elements that was not touched upon by the interviewees. After having developed the framework, I also realised that it probably would be useful to talk to yet another number of persons; particularly persons who could add another perspective in one way or the other. Therefore, I made some complementary
interviews, e.g. with people I had not spoken to previously (see section 3.3.1; about the third round of interviews).

The interpretation process can mainly be seen as a within-case analysis. Each case was in other words interpreted and analysed separately, even if observations from one case naturally were in the back of my mind when analysing the other. Also observations from Roxtec were present in my mind when making these analyses. At first, I was primarily focused on relating statements to different elements in my framework. In order to clarify how I worked, let us take the tight/loose-dimension as an example.

<table>
<thead>
<tr>
<th>Element</th>
<th>Tight</th>
<th>Loose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements that point at e.g.:</td>
<td>• Many targets</td>
<td>• Few targets</td>
</tr>
<tr>
<td></td>
<td>• Measurable targets</td>
<td>• Vague targets/ambitions</td>
</tr>
<tr>
<td></td>
<td>• Regular follow-ups</td>
<td>• Irregular follow-ups</td>
</tr>
<tr>
<td></td>
<td>• Careful analysis of deviations</td>
<td>• Few and intuitive analyses of deviations</td>
</tr>
<tr>
<td></td>
<td>• Much attention to deviations</td>
<td>• Little attention to deviations</td>
</tr>
</tbody>
</table>

I thus had an idea about the meaning of each element (tight/loose) and how it may be uttered in descriptions of management control practices and uses of management control systems.

The process described can be seen as my primary interpretation circle. After having done this for both cases, I asked myself another type of question: What elements – which are reflected in the interviewees’ statements and accounts – are not captured in the framework? This question required a new type of interpretation; which went beyond my suggested framework. I call this my second interpretation circle. After having done these within-case interpretations, the aim was to go beyond the single case; and to make some more overall interpretations. This third interpretation circle was based on a comparison between the two companies, and to some extent also the Roxtec-study. These circles can also be captured in the presentation of the text; an issue we will turn to next.

### 3.3.4 Writing the Presentation

A research report can be likened to a traveller’s report, in the sense of being a reflection of my experiences and interpretation (cf. Kvale, 1997). It means that
writing a thesis is not a translation activity, nor an exercise in reproduction. It is a process which involves many well-considered decisions regarding both content and form. Therefore, a passage on writing – which explains the process and decisions made – is relevant when resembling research texts with a traveller's reports. It can also be argued that the question of writing is particularly important in the kind of research project which this piece of work represents. Richardson (1994) for example stresses that qualitative research has to be read, not scanned. She explains by declaring that “its meaning is in the reading” (p. 517). Kvale (1997) points at another issue which makes writing an important task in qualitative research projects. He stresses that the validity of a research project is determined in communication with the reader. It means that the text constitutes the basis for evaluating the validity and the quality of the research project, as well as of research results.

My writing process can be described in terms of trial-and-error. Each passage of text in this thesis has been preceded by several versions and attempts. As Richardson stresses (1994), by writing in different ways we discover new aspects of our topic and our relationship to it. It can be argued that writing is an important ingredient within the hermeneutic circle and for reflection. It helps us change our perspective and to see new things in – for example – interview material. One example of how I tried different ways of writing is found in the extensive summaries I wrote for each company after the first interview round (see section 3.3.3). These summaries differed quite extensively in the way they were presented. The summary of Soft Tel was quite a static one, structured in accordance with theoretical models and concepts related to both management control and entrepreneurship. In the case of Family Tech, I tried to construct a more dynamic and process-oriented description. This description was also more close to the empirical material, since this kind of material was used as an inspiration for structuring the presentation and for creating headings. In line with Richardson's reasoning, these two different ways of presenting two entrepreneurial organisations increased my awareness of possible approaches to corporate entrepreneurship and the relationship between entrepreneurship, management and management control systems. It also made me aware of discrepancies in my way of reasoning. For example, why trying to present a very process-oriented summary, when I had not empirically studied a process?! This was the kind of questions that my descriptions raised, and which had to be dealt with in one way or the other.

The presentation at hand can be seen as a result of several attempts and versions. Regarding the end result there are many questions that could be posed and many issues that can be addressed. The structure of the thesis, the language use, and the creation of headings are some possible issues, only to mention a few. However, when considering the character of my study, there is one issue that is particularly relevant to comment upon – the presentation and use of
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empirical material. I have clarified that my study has similarities with phenomenology, in the sense of being interested in and taking my point of departure in the actors’ experiences and descriptions of a phenomenon. I have also clarified that my study – in some sense – can be seen as a case study, focusing on the use of management control systems in two companies only. I have also described my study in terms of hermeneutics, as well as clarified that I have mainly used qualitative interviewing as a method. All these aspects raise questions related to the presentation of empirical material and the use of it in the writing. For example: How do I report interview material? How do I try to mediate the actors’ descriptions and views of a phenomenon, or do I? How do I describe the cases? And how do I use quotations from the interviews and the actors’ own accounts in the text?

The first thing to clarify is that there is no clear borderline between the description of empirical material and the analysis of it. There is in other words not a separate chapter for each of these research issues. Instead, there are several chapters which hold both description and analysis – or rather interpretation – of empirical material. However, the chapters are somewhat different in character and serve different purposes.

Considering the first ‘empirical’ chapter on each company, which – according to the title – describes the company in question and its management control system, it serves two purposes. First of all, it aims at presenting the setting in which the study take place, or in other words to create an understanding of the context. A second aim is to describe each company’s management control system, with respect to e.g. sub-systems. Also the processes related to each sub-system are described, such as the preparation of budgets and reports and analysis of costs and budget deviations. Here, I also touch upon the use of management control systems based on the descriptions of the interviewees. Considering these two aims, these introductory chapters can be likened to, what Nylén (2005) calls, a coherent case description. Besides serving mentioned purposes, this case description is, according to Nylén, characterised by its coherent and freestanding character. As such, it can be seen as a contribution in itself. This is also the case in my study, since I state that one purpose of the study is to describe management control systems in entrepreneurial organisations. However, to talk in terms of a ‘description’ does not mean that it is free from interpretation and simply an objective reproduction of empirical data. According to previous reasoning, it is not. It can though – particularly with respect to the use of management control systems – be described as more empirically close than the following chapter. The aim of presenting quotation in these descriptions is further not to validate my own descriptions; to confirm that I have described the reality in a correct way. The use of quotations from interview material should instead be seen as a way of arguing. They can be seen as arguments which make interpretations and
reasoning more understandable and sensible, and as illustrations which clarify and concretise.

Since statements and interview texts are not analysed in detail – as within some ethnomethodological studies – and since they are not treated as objective facts, they are not presented raw. Similar to my licentiate thesis, I have made statements more readable. It means that all quotations have been transformed into written language. Pauses and muttering have for example been excluded and dialectical expressions and slang have been translated.

Regarding the second chapter on the two companies, it aims at analysing managers’ use of management control systems, in relation to a number of management processes and elements. The difference here then – compared to previous chapters – is that I have a framework which is used for describing and structuring, and for interpreting interview statements.

As will be seen I have chosen to deal with one company at a time. The reason for this is that the aim is to primarily learn from each individual case. The overall aim is not to make comparisons between them. However, comparisons are still useful for understanding more about a specific case and for developing a theory. Therefore, the thesis ends with a chapter where comparisons are made and in which I put each case in the light of the other.

3.4 Summary

As the introduction of this chapter suggests, there are many possible research strategies and research methods to choose among when conducting empirical research on management control systems in entrepreneurial organisations. As declared, I arrived at the decision to conduct a case study, based on two ‘good examples’ of entrepreneurial and growing companies. The main method for inquiry has been to interview managers in these companies, about the use of management control systems. My piece of research can further be defined as qualitative, if considering the research process, the kind of generalisation that is aimed for, and the information that is searched for. The reason for designing the study in the described way is that it goes well together with the focus and ambitions of the study, as well as with my ideas about research and knowledge creation processes. It is also in line with the method used in the Roxtec-study; a study which was both enjoyable to conduct and fruitful in its contributions of new ideas and perspectives.
4 Describing Soft Tel and Its Management Control System

4.1 Introduction

The aim of this chapter is to describe the characteristics and use of management control systems in Soft Tel. The chapter starts with a general presentation of the company: the "official picture of Soft Tel" (cf. Forslund, 2002, p. 74). It is the official portrayal of the company, e.g. done by the management, in brochures, and on web sites. This section is mainly based on interviews with two prominent figures at Soft Tel;

(1) Paul, the founder, and
(2) James S, Chief Executive Officer (CEO).

Written material has also been used when constructing this presentation, particularly externally oriented material, such as web sites, information brochures and annual reports.

In following sections, the formal management control system is described. The structure of the description is quite conventional. It is centered around a number of systems and processes which can be considered as being part of a management control system. The description is adjusted to suit the circumstances of Soft Tel. Three interviews have been especially important when writing these sections, i.e. the interviews with:

(1) Murray, the controller
(2) James S, CEO, and
(3) James N, Program Manager.

But also other managers presented in table 3-3 (see section 3.3.1) have contributed to the presentation. Besides oral accounts, written documents – such as report templates – have been used when trying to understand sub-systems in Soft Tel’s management control system. At the end of the chapter, I also discuss entrepreneurship at Soft Tel. Thereafter I make a brief summary of the management control system, as it has been depicted in prior sections.

To describe a dynamic organisation, like Soft Tel, is difficult since it changes continuously. During my main empirical study, there were several changes,
with respect to e.g. the organisation and its product offerings. In the presentation, I have tried to capture this dynamism, by describing such changes. However, these changes further mean that descriptions – as the one presented here – quickly become obsolete. So, even if making the presentation in present tense, the picture relates to the time of my main empirical study.

4.2 Presenting Soft Tel

4.2.1 The Emergence of Soft Tel

In the late 90s, a large company – with its head office in the south of Sweden – decided to set up a development department in a smaller town, close to a university and a science and research park. Paul, a lecturer at the university, was asked to set up and manage this development department. He did so, and was the head of the department for a couple of years, before James S took charge. Before James S entered the scene – as CEO in 2000 – two transformations were made. First, approximately a year after the set up, the division was succeeded to System Ltd, in which the original company was a joint owner. The second transformation was made in 1999, when the development department – now belonging to System Ltd – was converted into a company, called System AB. It then became a fully owned subsidiary of System Ltd. In 2003 the name of the subsidiary was changed from System AB to its present one – Soft Tel AB.

Since the start, Soft Tel has experienced a quite extensive growth. Since 2000 – the first year as an independent company – the development with respect to number of employees has been as follows (Annual reports):

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td>59</td>
<td>77</td>
<td>80</td>
<td>113</td>
<td>113</td>
<td>153</td>
</tr>
</tbody>
</table>

When interviewing some Soft Tel members at the end of 2005, I understand that they are about to hire even more people. The interviewees also express a positive attitude towards the future, with continued growth and success.

In a few years, Soft Tel has gone from being a development department with a handful people, to an independent company with over 100 employees. However, even if Soft Tel – from a legal point of view – has been an independent company for a number of years, the process of becoming a genuine company was internally still in progress during my study. Initially, the unit was solely concentrated on software development with Paul as a local manager. As
Describing Soft Tel and Its Management Control System

the company grows, functions such as project management and consultancy work are established. Thereafter, positions and departments for e.g. finance and for human resource management are also set up. Besides that, managers and employees have started to pay more and more attention to activities related to marketing and sales; activities that previously were done within the parent company.

Even if most activities and functions which are normally associated with independent companies exist, some areas – such as marketing and sales – are still under construction. Besides, Soft Tel has at this time no real income flow from customers. Even if they have a sales department, they do not manage the administration and the invoicing of the sales. Instead, this is handled by the parent company. It means that revenues, which are reported in annual reports, do not represent the value of the sales to the customers. This figure shows revenues that are provided from the parent company in order to cover expenses and a profit, based on a predetermined percentage. Murray – the controller – explains this in the following way:

“We send an invoice to our parent company once a month. So for all expenses we have, we send an invoice to the parent company. So, they pay when we need money. That is how we finance our business.”

Murray, April 2004

He then continues:

“So, we only have one customer in this sense, and that is our parent company. At least up to now.”

Murray, April 2004

By adding “up to now”, he indicates that this way of handling the sales may not last forever. In a later interview, James S also states that such a discussion continually takes place between Soft Tel and System Ltd.

4.2.2 The Product Offering

According to Soft Tel’s own web site (Web site, August 2005), the company develops and licenses world-class products to leading manufacturers in the industry. The task to develop the product (called ST) was initially a commission from System Ltd.

The product can be described as an integral part of another product, which in its turn can be described as a widespread technical commodity. It is further based on a specific system, provided by System Ltd. Initially, the product was directed towards commodity products which used a specific method. These
characteristics aside, another feature is that the product – at least at the beginning – is constructed for more advanced commodity types.

At the time of my study, one of the latest versions of the product is called ST 2.1, which is an upgraded version of the previous one, ST 2.0. The ST 2.1 is released in 2003, and later incorporated in a number of products, provided by different manufacturers. In February 2004, the company unveils a new release – ST 3.0 – which is commercially available in the middle of 2005. As the release number indicates, ST 3.0 involves a more extensive change, in comparison with previous releases. Contrary to previous releases, the ST 3.0 is a release that can be used within products that are based on either of two methods. This new release means that Soft Tel extends their market in two ways. First of all, and due to this new release, ST becomes an alternative for manufacturers of commodities that is based on the second method. Secondly, it also becomes an alternative for less expensive and less advanced products.

When I talk to Jeffrey, David and Pete – all working in the same department – in December 2005, I realise the proportions of this new and major release and what extensive implications the development of it has had on their work. They all describe the last year or so as a period of exceptional circumstances. They further explain that they will now gradually go back to ordinary routines and also resume minor improvement projects.

A major strength of the Soft Tel product – even if not explicitly mentioned – seems to be that it simply offers an interesting alternative to the products provided by leading and dominant actors in the industry. This relates both to the system, which the product is based upon, and the product per se. But when I explicitly ask about the strengths of the product, in comparison with similar ones, both James S and Paul particularly emphasise one feature – flexibility. They explain that ST is flexible and easy to adjust to requirements of manufacturers. The ST product is further described – in written material and by Soft Tel actors – as user-friendly and with a high-level functionality. In a more recent brochure about Soft Tel and its offer, published on the website (Web site, January 2006), I find that another dimension is added for describing the product. Here, it is not only described as flexible, it is also innovative in the sense of being based on latest technological developments and innovations.

4.2.3 The Market and Its Actors

It is feasible to describe the industry, in which Soft Tel operates, as exciting, turbulent and complex. Paul, who actually uses the word exciting when talking about the industry, explains that the industry is still in its infancy and is characterised by an endless amount of opportunities. It is further exciting in the sense of being unpredictable. Similar to a game, the industry consists of important and powerful players who use tactical reasoning and make clever
Describing Soft Tel and Its Management Control System

moves, which makes it difficult to foresee the actors’ manoeuvres. Paul himself expresses this in the following way:

“There are many actors…. It is quite an exciting world we are a part of. Great opportunities and very exciting.”

Paul, March 2004

He continues:

“And a lot happens in this industry. There are different moves, all the time. […] Many new moves between different actors.”

Paul, March 2004

Here, he also touches upon the turbulence of the market; an attribute also described by other interviewees. It is for example mentioned by James S when he explains that an important task of his is to create internal peace and quiet, when acting in a turbulent environment. Examples of incidents that happen all the time, and that in some respect affect them, are provided by Paul. Customers suddenly stop making products, two customers merge into one, and new alliances are created, are some incidents that he mentions.

Regarding the complexity, it is particularly something that I – as an outsider – react to. There are not only many various types of players acting in the market, as mentioned by Paul. There is also a complex web of relations and partnerships among these. A closer look into the System constellation, in which Soft Tel belongs, hints at this complexity. Being a subsidiary of System Ltd, which is jointly owned by some manufacturers, means that one of the owners is also an important customer to Soft Tel. At the same time as being a partner with whom Soft Tel develops system solutions. Another joint owner is also a major competitor. However, despite the complexity in types of actors and relationships, the industry is characterised by a limited number of actors, and a few very dominant and powerful ones.

Analysing deeper into the market that Soft Tel more directly acts towards, it can be described as the segment of more advanced products. Soft Tel’s customers – or rather licensees – are further described in a leaflet as "the world’s leading [xx] manufacturers" (Soft Tel AB, 2004). Accordingly, and as this description indicates, Soft Tel acts on a global basis.

“*The world’s leading [xx] manufacturers*” are of course an important target for marketing and sales activities. But, there are other actors that have to be worked upon, primarily operators and software developers. Starting with the operators, James S explains very clearly why it is important to pay attention to this group as well. He starts though by clarifying that they are not their customers. He says:
“The operators are not our customers. The [xx] manufacturers are our customers.”

James S, June 2004

He then continues:

“But their [the manufacturers’] customers are the operators, and the operators sell a large portion of all products in the world today. So, the operators are the link to the final customer, the consumers. [...] Therefore, we have to get them [the operators] to understand that they should ask for ST products, when they approach their suppliers; the manufacturers.”

James S, June 2004

Another important group to approach is software developers and vendors. This becomes evident in internal marketing material. It says that an important mission for marketing is to “establish strategic partnerships with software vendors to strengthen the ST product offering”. This is clarified by Eve, the marketing manager. She explains that they have a special partnership program for software vendors, called the ST Selected. The aim of the program is to establish strategic partnership with third party sales vendors, who can provide manufacturers with important software technologies and applications, thus tested and certificated for the ST product. She further explains that such partnerships mean that they can offer a system solution to the customers. She says:

“Our product does not have all components that are needed […]. But when we approach a customer, we have to offer a system solution. […] So, we cooperate with other companies that have those components that we don’t have and don’t want to have.”

Eve, June 2004

Accordingly, important market actors are 1) manufacturers, 2) operators, and 3) software vendors. Still an additional group is providers of similar products, the competitors of Soft Tel. Some of these are important players in the industry.

### 4.2.4 The Soft Tel Organisation

Soft Tel has in a few years gone from a development department with a handful of people, to a company with over 100 employees. During these years, the company has undergone several organisational changes. A major internal change was made at the turn of the year 2003/2004, when a number of new departments were created. After this change, its organisational chart looks as in figure 4-1.
A major change, in comparison with previous organisational structure, is that Product management and Sales (Business Development) are separate organisational units. These functions were previously incorporated within the Marketing department. A similar change was made with respect to Operations, which previously embraced all service functions, such as information systems, facilities, human resources and finance. At that point, Finance is separated from Operations and constitutes its own unit for a while. It is a temporary solution though. When I return to their web site in the autumn of 2005, Operations is – as before the change – presented as a service department which includes finance.

The largest department is undoubtedly Software Development, to which more than 80 people belong in 2004, or about 70% of all employees. This department is therefore divided into seven functionally based subunits. All these subunits – called sections – can be classified as expense centres, whose inputs are measured and reported in monetary terms. The same relates to the mentioned departments whose expenses are measured, budgeted and reported. In comparison with Software Development, the remaining departments are relatively small. Even if small, James S stresses that they have managed to create a number of forceful departments; departments with a lot of power and responsibility. James S also explains that this latest organisational change is a change for the future. Now, with the contemporary organisational structure, the company is prepared for further impressive growth.

Beside these departments and subunits, there are a number of more or less formal groups, where people across units meet and discuss different matters. There is a management team, or even several management teams. There are a number of project teams. Actually, project teams can be claimed to be essential for understanding the organisational structure of Soft Tel. Much of their work is organised in projects. This is indicated by Murray, the controller, when he expressively states:
"We work in projects. Of course we have project budgets."

Murray, April 2004

This statement relates primarily to the work which is done in the department of Software Development. When a new release is initiated, a project team is established. Therefore, it is possible to say that the department is organised according to a matrix structure, since many employees in Software Development belong to two organisational units; a sub-unit and a project. Accordingly, they also have two superiors to report to; a departmental manager and a project manager.

There are still other groups within Soft Tel. The SAG-group is mentioned by Jeffrey, manager of Software Development. It is a forum where general technical problems and solutions are discussed. There are also project management teams, to mention still another example, that have the overall responsibility for the projects.

Several respondents describe Soft Tel as a slim organisation, with respect to number of employees. Jeffrey, referring to Software Development, explains that one principle is to never employ more people in each section – or functional sub-unit – than what can be kept busy, all the time. There should never be any slack in his functionally based organisation. However, and in order to create some flexibility, there is a resource pool in the department, which is called Consultancy. The people in this resource pool work both internally and externally. Internally, they help out when the staff of a section is overworked. Consequently, these employees have to be able to and be prepared to work in different functional areas. Externally, the consultancy people work with licensees and customers and support them in their use of the ST product. Together with employed project leaders, this group – Consultancy – belong to a section that is called Program Management; one of the sub-units in Software Development.

4.3 Financial Planning and Budgeting Processes

4.3.1 Budgets and Budget Preparations

In most cases, it would be natural to start this section with a description of strategic planning and – what has been defined as – program analysis. Such a structure is for example applied in Anthony and Govindarajan (2001). They describe strategic planning and strategic decision-making as a first activity in a
management control process, and as an activity that provides a framework for budget preparation. Therefore, it could be argued that strategic planning and decision-making should precede descriptions on budgets and budget preparation. At Soft Tel the process is more complex and is not captured in these sequential steps. I have therefore decided to start by describing the budgeting system, since it explains also practices with respect to strategic planning and decision-making.

The relationship between Soft Tel and System is described as quite liberal in the interviews. The head office does not interfere in managers’ way of organising the internal work, or in internal activities. However, when analysing the budgeting process, a somewhat different picture emerges. This process is to a large extent determined by and adjusted to the requirements of the parent company. Not only is the process influenced by the needs of the head office, but also the content and structure of the budget. According to Murray, who describes the budgeting process, a fixed budget is prepared twice a year and for twelve months ahead. Murray explains that he – in January – is expected to have a completed budget for the next twelve months. In July, this budget is replaced by a new one, which also extends over a period of one year. This means two budgeting processes each year; one that starts in April and one starting in October. Considering this, it can be assumed that the work with budget preparations is perceived as a heavy burden and a never-ending worry. However, no one expresses such feelings. Murray simply states that co-ordinating the budgeting work is a major task of his. Paul and Jeffrey, on their part, suggest that budgeting – in their mind – is not a big issue. When I for example ask Paul if he has to spend a lot of time on budgeting, he answers without hesitation (June, 2004):

“No.”

Jeffrey expresses a similar thing. He does not have to spend much time on budget preparation and does not find it difficult. He explains that he gets instructions from Murray and that it is almost only “to fill in empty cells” (May, 2004). Also James N – being responsible for a section in Software Development – expresses a relaxed attitude to this work. In his way of talking about the preparation of the annual budget, he clarifies that it does not cause him much troubles, nor does it take a lot of time.

A little closer look into the meaning of budgeting at Soft Tel may explain the attitude. At the beginning of the budgeting process, Murray gets detailed instructions from the head office. These instructions are then – somewhat adjusted – distributed by Murray down the organisational hierarchy, to department managers and section managers who all have a responsibility to prepare an expense budget for their individual unit. The instructions received
from the head office are some kind of price labels. For many types of cost, Murray explains, they get a predetermined standard cost per head. This relates primarily to personal-related expenses, such as training, travel and accommodation, and canteen and welfare. It means that budgeting – for several types of expenses and for many managers – mainly is an arithmetical exercise. They simply take the number of employees within their unit and multiply it by a standard cost.

It is of course a somewhat simplified picture of the budgeting process. First of all, there are some types of costs where such described price labels are hard to deliver, for example expenses for marketing and for hired consultants. Here then, the person responsible has to make an estimation of her or his own, and predict needed resources. This may explain why Eve – marketing manager – seems to find budgeting somewhat more difficult than the others. She says:

“In one sense it is [difficult to make a budget], since we don’t really know…”

Eve, June 2004

But then she adds:

“But now I feel that… I know which exhibitions we will attend, and I know how much we have to do…”

Eve, June 2004

She returns to this later in the interview, and once again explains that she knows quite well what market activities they are going to conduct and what resources they need for doing that. It simplifies the budgeting process, she says. By adding this, Eve indicates that budgeting – for her – is not a very difficult task.

Secondly, and since the head office is only interested in an aggregated budget for Soft Tel as a whole, Murray – together with involved managers – can make some adjustments between departments and sections. Employees in Business Development, as one example, travel a lot. They may therefore be allowed to budget more per head than the price label admits. Such adjustments between departments may cause some internal discussions, even if none of the interviewees’ descriptions indicate that such discussions are extensive.

When responsible managers have agreed upon the allocation between sections and departments, an aggregated expense budget is sent to the head office. Even if most costs are determined and non-negotiable, the budget may still cause a dialogue between Soft Tel and the head office, Murray explains. Expenses for information systems may for example raise a discussion, since it is an important item and often amounts to a large sum of money. When listening to Murray, I understand that the proposed budget is examined in detail,
Describing Soft Tel and Its Management Control System

particularly with respect to those cost items which are not regulated by a
standard cost. Once the aggregated budget has been approved by the people
within the head office, it constitutes the basis for promised grants from the
parent company, for the next six months.

As the above account reveals, the head office only demands an annual
expense budget for the company as a whole. However, the budget which is
prepared and used only internally – by managers at Soft Tel – is slightly
different from the one which is sent to System. With respect to included
expense items and expense categories, the internal budget is very similar to the
System one. But internally also revenues are included in the company budget.
Since there are no real sales, as previously explained, these revenues are internal
measures, expressing fictitious royalties and consultancy remunerations. Besides,
the internal budget also holds budgets for departments and sections, whose
managers all have – what they call – ‘budget responsibility’.

At first, the described budgeting process stands out as very mysterious to me.
Since they take the number of people presently employed in their department
or section and multiply it with a standard cost, the budgeting process certainly
seem to preserve status quo. And there seems to be limited space for unplanned
initiatives and for new efforts. At one occasion, I ask James S if managers
consciously try to create slack in the budget, to allow some freedom and some
scope for action. He then answers:

“There is some freedom in it. It is. But it is quite small.”

James S, May 2004

Considering this, I do not understand how growth and development are
handled in the budgeting process. And how about the strategic plans and
decided programs? When, and how, do these come in the process? It took me a
while before I realised that these things are handled in a separate process, which
often takes place parallel with the ordinary budgeting process. Actually, this
turned out to be the case at the time of my main empirical study, which
extended from April to June 2004. At the same time, there were two processes
in progress. One process – initiated and coordinated by Murray – was based on
none growth. James S called this budget “the realistic one” in one of my
interviews. It was the budget and related process that the interviewees primarily
thought of when I asked questions about the budgeting work. Regarding the
dialogue between Soft Tel and System in this ordinary budgeting process, it is
mainly carried out by Murray and the controller at System.

The other process is, by James S, described as a negotiation process with the
aim of getting more money from the owners and for expansion. He says:

“It is really about getting them to open their wallet wide.”

James S, May 2004
This dialogue, or negotiation, with System and its owners is managed by James S with support from and after discussion with the management team. If this process turns out well, and System’s owners agree on investing more money in Soft Tel, then the budget is adjusted and revised according to these new circumstances. The ‘realistic budget’ is, in other words, turned into a growth-budget. Such additional contributions with respect to resources are followed by an internal discussion on how to divide them between departments.

James S further clarifies that it may happen that he gets approval for doing things, also during the prevailing budget period and after the budget has been determined and accepted. When I make the interview, they have for example quite recently received resources for extending Soft Tel’s office building, in the middle of a budget period. James S clarifies though that he – at such occasions – has to argue for and convince System’s management and the owners of the necessity of the investment. He says:

“But then we have to be good at stating our reasons for it and to sell it in.”

James S, May 2004

4.3.2 Strategic Planning and Program Analysis

The development and growth of Soft Tel is highly dependent on the willingness of the owners to invest in the business, both with respect to when and how much. What does this mean for long-range and strategic planning? What kind of strategic plan can be found at Soft Tel, if any? And what characterises long-term goals at Soft Tel? These matters turn out to be quite difficult to grasp. When I ask such questions, related to strategy and long-range plans, interviewed managers become somewhat vague and very cautious in their way of answering. They try to describe the way of dealing with these things, but without revealing any delicate and confidential information. Murray, as one, confirms though that there is a long-range plan and long-term goals, which also expresses desired development with respect to sales and financial situation. It states for example a point of time, when Soft Tel should break even in real terms.

I also talk with James S about this. He does not talk about strategic planning in the sense of a long-range plan, but in terms of critical success factors. He explains that the management team is in the middle of a strategic planning process. What they have done so far is to identify a number of critical success factors that are essential to Soft Tel in the present situation. These success factors constitute a strategic framework. The framework is now about to be translated into a plan, on how to progress and how to realise these success factors. James S further tells me that there has been a similar plan for the past
Describing Soft Tel and Its Management Control System

five years. For each year there has been a stated theme, or an overall goal or success factor. The theme for 2004 was “Expanding the market”. The theme addresses an ambition to increase Soft Tel’s potential market, for example by changing and adjusting the product and by conducting marketing activities. Other examples of such themes, mentioned by James S, are “Market entry” in 2002 and “Gaining momentum” in 2003. These overall themes have each year been broken down into more specific activities and more distinct goals; into a plan in other words.

James S further states that they have – for each year – managed to follow the plan and to fulfil stated success factors. He says:

“We have hit the target each year. So that feels good.”

James S, May 2004

One interpretation of this is that James S and the management team are good at convincing System and its owners of their plans, and to get support and resources for them. This is also indicated by Murray when we discuss in what respect Soft Tel can be described as successful, which it is often done by regional actors and in local papers. He then says:

“They [the owners] are the ones that invest money here. And they understand that we have to speed up our processes, and develop new releases… And that we need to employ more people in order to manage that. They are the ones that see a value in this. In this respect, you can see that we have been successful.”

Murray, April 2004

According to James S, the process of formalising strategies is to a large extent initiated by him and the management team, and not by System. It seems that they can decide quite a lot also with respect to strategic issues. This becomes evident when James S describes his work and obligations as a CEO. First he says:

“For me it is very simple. I am here to execute the will of owners and the board of directors.”

James S, May 2004

When listening to this, James S appears to be an executive who simply acts according to the wishes and directives of the owners and the board of directors. However, he adds:
“But it means also that I have to…. I also have to formulate their intentions, very much. And I do not do this alone. I do this together with my management team.”

James S, May 2004

He clarifies that the management team must act according to the mission given to them from System. This mission constitutes some overall terms of reference. However, he continues, they themselves have to specify and concretise this mission, into success factors and into strategic goals.

Regarding the strategic planning process it starts within the management team, to which all departmental managers belong. This is indicated by James S when he says:

“Most of our strategic discussion goes on within the management group, and then we present it to the board. We move – so to speak – the discussion upwards.”

James S, May 2004

Accordingly, strategies are firstly discussed by the members within the management team. They formulate a proposal, which then is discussed by the board. Once the board has approved suggested strategies it is moved upwards once again, to System and its owners. That most strategic suggestions come from them is also indicated when James S describes the strategic conversation between Soft Tel and System in the following way:

“It is more like this, that we say: We think we have to accomplish this. Do you agree? Yes [they answer]. To accomplish it, we think we have to do this. Do you agree? Yes. To be able to do this we need these resources. Can we get them?”

James S, May 2004

Hereby, he also indicates that formulated strategies, both in respect of success factors and plans, are referred to when negotiating for more resources.

Another issue which has long-term implications is how managers at Soft Tel make decisions about, analyse and prioritise among new ideas and initiatives, for example new products or product lines, research projects, and marketing activities. It is what Anthony and Govindarajan (2001) call ‘program analyses’. To capture this kind of analyses in general terms is difficult since the procedure differs between decisions and programs, which also my interviews with Soft Tel’s actors suggest. New ideas on how to improve the development process are analysed and evaluated differently than for example marketing initiatives. Here, I have no intention to cover all kinds of new ideas, but will focus on the most essential ones, which in the case of Soft Tel is those ideas that are related to the
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product and development projects. What releases should they engage in? What components and applications should be incorporated in future generations?

When trying to describe how they reason when deciding upon such questions, several managers talk in terms of ‘a business case’. In order to invest, there has to be a business case. This is for example emphasised by James S, when he explains:

“When a specification is made, or a projection of a project… It could be a device or a new component in our product, or something. Then you have to be able to show a business case.”

James S, May 2004

Also Jeffrey talks in terms of a business case when explaining how they – at Software Development – make decisions on maintenance releases, which involves primarily resolutions of mere flaws. It may also involve smaller functional improvements. Jeffrey describes a maintenance release as a reactive change, since such a release is initiated only as a reaction to obvious dysfunctions in the original one, or to immediate requests from customers or operators. They may be unavoidable, but are not aimed at and actively worked with. He says:

“I don’t want to spend resources on something that is already completed. […] …we want to spend resources on developing new things. It is a poor piece of business to make a maintenance release…”

Jeffrey, May 2004

However, he then adds (my marking):

“But if an important operator says: Yes, we buy 200 000 pieces if you have this gadget too. […] Then there is a business case for making it. But otherwise… We do not make things if there isn’t a business in it.”

Jeffrey, May 2004

He further makes a distinction between minor and major releases, which involve different degrees of novelty. ST 3.0, presented in section 4.2.2, can be classified as a major release, whereas 2.1 is a minor one. Both minor and major releases are described as more proactive changes by Jeffrey. They are actively searched for and driven by Soft Tel members, however in close cooperation with e.g. customers and partners. The decision to develop a new release – either a minor or major one – does not seem to be a big issue at Soft Tel. Paul – Product Manager – explains that there was previously an idea that a new release had to be estimated as a positive business case, before they could allocate any resources to it. Here then, he also talks in terms of a business case. According to
Paul, such a decision – to develop or not to develop a new release – is however meaningless in their business, since there are no alternatives. As he expresses it, he and his colleagues at Soft Tel have “nothing else to do”, than to develop new releases. The tricky thing is not to determine that a new release should be developed, but what components to incorporate and how extensive changes to make. About this Paul says:

“It is what we insert in it [the release], that we have to make a business case on.”

Paul, June 2004

Here he indicates that each component is evaluated in order to determine if it is a business case or not. Somewhat later in the interview he says that this is how they should proceed “theoretically”. Hereby, he indicates that it is not always done in practice. One interpretation is that the idea about a business case is a way of thinking, even if the procedure is not always followed strictly. In this context, he also points at another important thing. He says that any change that improves the product can be regarded as a positive business case. It involves a value, in other words. But, he adds:

“…we have limited amount of resources”.

Paul, June 2004

So, it is not enough to determine if a device or a change of any kind is a positive business case or not. He and his colleagues at Product Management should also try to determine which of all suggestions involve most value, and thus are the best business cases. Having limited amounts of resources, they have to prioritise. Particularly since there does not seem to be a lack of ideas and suggestion regarding product improvements. On the contrary. Paul, for example, says at one occasion:

“We do not lack ideas. We have difficulties in developing them all. That is how it is.”

Paul, June 2004

But what is a business case and how is the analysis accomplished? A business case is simply when the value of a component or an improvement of any kind exceeds the cost of producing it, according to Paul’s explanation. James S, on his part, explains a business case in the following way:

“When you develop things you use resources, and then you have costs. And then an income; what marginal effect you think it will bring.
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*Marginal income against marginal cost. That is what we have to measure.*

James S, May 2004

As I understand it, the analysis is made by the Product Management together with people from the Software Development. Paul explains that there is a developed procedure which they follow when making the analysis. Paul describes it in the following way:

“We have a process in which you go from identifying market needs, trying to specify market requirements, searching for solutions and evaluating the solution together with [Software] Development.”

Paul, May 2004

In many cases, there is a potential customer – or several – who is willing to pay for a component or an improvement. It means that new components or improvements are seldom developed on a prospect at Soft Tel. This simplifies the process of evaluating the value of a suggestion and a new idea. Regarding expenses, these are mostly associated with the use of human resources. Therefore, the essential thing is to determine time consumption.

4.3.3 Forecasts and Making Prognoses

A forecast is another kind of plan – next to budgets and strategic plans – which can be discussed in the context of management control systems. When I do my empirical investigation, Murray does not systematically prepare forecasts of any kind. The ambition – or at least Murray’s ambition – is to start to work more with forecasts in the near future. He says:

“We are going to start to work more with prognoses and not only with budgets.”

Murray, April 2004

A forecast will be a complement to the budget, and will – according to Murray – provide them with more updated figures. Today, Murray once in a while receives sales prognoses from the parent company. But, about this Murray says:

“…we believe that we ought to know this better ourselves. We are better acquainted with our customers and their development…”

Murray, April 2004
As a first step, they will start to make own forecasts with respect to sales. In a later interview, he also confirms that the sales department has done this; started to work with prognoses. When I ask about these plans, he answers.

“Our sales department is making…has started to work with it. Because they are the ones who have to make these prognoses. I can’t do that. So, they have made some progress.”

Murray, November 2004

This measure can be seen as another move towards the ambition of becoming a company, which controls its own sales. Eventually they will also consider expenses for the company in overall, and make prognoses with respect to these. Murray explains that there may be situations when they have to overdraw the budget. With rolling prognoses, for e.g. twelve months ahead, it would – according to Murray – be possible to see what things are heading earlier and to take measures at an early stage. When discussing a prognosis, he has rather short-term prognoses in mind; prognoses that are updated maybe each month and extends over a period of one year.

4.4 Accounting Reports and Budgetary Control

4.4.1 Reporting to the Head Office

Murray describes the budgetary control process as being heavily focused on controlling costs. There may be several reasons for this. First of all, Soft Tel is still showing a deficit; i.e. not making a profit yet. Second, the company is still in some respects more a development department within System than an independent company. This is for example stressed by Murray, when describing the reporting to System. He says:

“In fact, it [Soft Tel] can be regarded as a department within System. Even if it is a company.”

Murray, April 2004

This is for example reflected in that Soft Tel is only responsible for and only reports expenses, and that Soft Tel in this sense is similar to an ‘expense centre’. A third reason, relates more to the financial situation of System and its owners. The industry in question was for a number of years an industry in crisis, which put many actors in a financially awkward situation.
Regarding the reporting to the head office Murray closes the accounts every month and prepares thereafter a monthly report. He then uses a standard template used within System. The report, whose information is taken directly from the external accounts, is sent to London, where the head office is located, on the second working-day in a month. “It is quite urgent”, Murray explains.

This financial account – presented in a monthly report – is then used by the head office when preparing a consolidated profit and loss account for System. It is also used for comparing the outcome – in respect of accounted costs – with budgeted figures. Murray tells me that he makes a quick analysis with respect to budget deviations before sending the report to the head office. It means that he also adds some explanations and comments to such deviations in the report, however on a summarised level. He further explains that people at the head office also ask questions about budget deviations. He says:

“And usually there comes a few questions on what the reason may be [for a budget deviation].”

Murray, April 2004

4.4.2 Internal Reporting

Once the report to the parent company is completed, Murray starts to prepare internal reports. Here, he uses templates that he has constructed himself. One of the internal reports has a structure according to figure 4-2.

<table>
<thead>
<tr>
<th>Revenues</th>
<th>JAN</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>FEB</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>MAR</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
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<tbody>
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<td>Etc…</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Costs</th>
<th>JAN</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>FEB</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
<th>MAR</th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
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</table>

**Figure 4-2: Structure of an Internal Report - Divided into Months**

Comparing this with the London-report, both hold information on an aggregated company-level, but the internal one also incorporates revenues. Before preparing this report, Murray therefore needs information about sales, both with respect to number of units and royalties. He gets this information in an internal sales report from the head office once a month. Regarding costs, the structure follows the structure of the external accounts, and is in this sense quite
similar to the London-report. In the report, the actual outcome is further compared with budgeted figures for each month.

A similar report is also prepared for each department and section. Beside these reports there is still another one – shown in figure 4-3 – where costs are allocated among the departments. The report primarily aims at comparing departments, with respect to budgeted and actual costs.

<table>
<thead>
<tr>
<th>Product Management</th>
<th>Operations</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual YTD</td>
<td>Monthly cost per head</td>
<td>Actual YTD</td>
</tr>
<tr>
<td>Personal Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td></td>
<td></td>
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<tr>
<td>Etc…</td>
<td></td>
<td></td>
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<tr>
<td>Facilities Costs</td>
<td></td>
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<tr>
<td>Telecom</td>
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<tr>
<td>Etc…</td>
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</tr>
</tbody>
</table>

Figure 4-3: Structure of an Internal Report - Divided into Departments

Beside these reports, Murray has recently on a monthly basis started to present a few key ratios together with charts. The key ratios are some heavy cost items divided by number of employees. Salary per head and travel cost per head are two examples of such key ratios. Charts are prepared also for some important cost items, as well as for total costs. These charts should give a visual picture of the development, with respect to outcome in comparison to budget, both for each month isolated and accumulated.

When all reports are completed, Murray publishes them on the intranet, together with some minor comments regarding e.g. deviations. Before publishing the reports, he has made a – what he calls – “quick analysis” of the monthly result. A deeper analysis is – if necessary – made together with concerned managers. The reports, together with Murray’s comments, are most often available for managers on the intranet on the fifth working-day in the month. Accordingly, all employees can not retrieve this piece of information from the intranet. They get, according to Murray, information about the financial situation in a net-based internal newsletter. Once a month, he himself presents the monthly result and compares it with budgeted figures within this newsletter. He further clarifies that the employees also get such information, and particularly regarding the department and section where they belong, by their superior manager.

On management meetings at the beginning of each month, Murray also gives a short presentation of the financial situation and the financial reports. When I listen to the interviewees’ accounts, I understand that the presentation is not a crucial point on the agenda of these management meetings. Eve for example describes this run through as “very short” (June 2004). I also
understand that the presentation rarely causes any extensive discussions. When I ask Eve about it, she says:

“No. […] It rarely… It is not much at all.”

Eve, June 2004

James S gives a similar answer, when answering the same question. He says:

“No. It may be that something is raised, but not…”

James S, May 2004

4.4.3 Middle Managers’ Reading of Monthly Reports

When I ask Murray if concerned managers show interest in the reports as soon as they are published on the intranet, he answers with a smile:

“No, they don’t. No.”

Murray, April 2004

When talking to the other interviewees, they reveal a similar picture. Jeffrey, for example, admits that he does not really find the information interesting, and therefore does not look into the reports very carefully, and certainly not immediately after the reports have been completed. He explains that the information is quite predictable, and rarely holds any surprises since there are not so many items that can cause any extreme variances. He says:

“If you have made a budget based on 83 people, so…”

Jeffrey, June 2004

He seems to imply that nothing can happen. He further clarifies that the information does not really say anything about the performance within his department, since it only reports expenses. For that other measures are needed, he adds. Eve also admits that she does not pay very much attention to the reports. She says:

“I feel - since I do not think I have exceeded the budget and that there are no problems - that I have other things to do…”

Eve, June 2004

Paul, on his part, explains that it does not take much time to analyse the reports. He simply looks at the travel expenses as an example, since it is an
important cost item within Product Management, and checks that he has not exceeded the budget. “It takes me two minutes”, he says.

Accordingly, the budgetary control is not a significant issue for interviewed middle managers. The interviewees’ statements point at several possible explanations for this. It appears that the main thing is to be below the budget, both with respect to the company budget and to the budgets of single departments and sections. This is for example indicated by Paul, when he explains that he takes a quick look only to make sure that he keeps the budget; something which only takes him a couple of minutes. And since the outcome most often is below the budget, there is not much to discuss and to fuzz about. It also suggests that managers at Soft Tel – and their subordinates – are good at keeping the budget, which Eve for example emphasises. She says:

“We do keep our budgets quite well in the company. And we are below the budget, which we have been for several, several years.”

Eve, June 2004

Also Murray indicates that they – in general – have been good at keeping the budget. When I ask him if he sometimes has to rebuke people, he answers:

“So far, I have not been required to do that. […] It seems like they [responsible managers] are very conscious about… that they do check if there is money in the budget, or not.”

Murray, April 2004

Even if interviewed managers pay little attention to monthly reports, they are well aware of allocated and used resources. Besides that, they are well aware of the importance of sticking to the budget. When I for example ask Eve if it would cause any discussion if she exceeded the marketing budget, she says:

“It would. But I would never do that, because I know my budget.”

Eve, May 2004

Eve further explains that the budget constitutes a framework, or a point of departure for more detailed planning. She tells me that she always considers the budget when she – together with her team – sets up short-term goals and more detailed planning. Jeffrey describes the budget in a similar way. He says that he and his employees start with the budget when planning projects.

There appears to be another reason for being below the budget, as seems to the general case. Some of the interviewees indicate in their answers that budgets are somewhat highly estimated. Murray gives one example of this. He explains that rounded percentages are used for some personal expenses in the Soft Tel
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budget, which exceed actual costs. Eve and Paul, on their hand, explain that they have difficulty in spending all money. On this matter, Eve says:

“It takes time to spend resources.”

Eve, May 2004

Paul, particularly referring to educational expenses of his department, says that it is hard to find time as well as good courses. Considering this, there is some slack in the budget, despite all. James S further adds that employees in general are good at saving, and at finding inexpensive alternatives. He says:

“We have this culture that people are careful with money. They do not waste money, and they think twice before using even the resources stated in budgets.”

James S, May 2004

4.5 Program Plan and Project Budgetary Control

4.5.1 Program Plan

As mentioned in the presentation of Soft Tel (see 4.2), the business and organisation is centred around projects. Employees work in projects and they are organised in projects. This is also reflected in the management control system at Soft Tel; something which for example Murray indicates when exclaiming (see also 4.2.4):

“We work in projects. Of course we have project budgets.”

Murray, April 2004

Actually, there are two systems which have projects as the central object, instead of an organisational unit. The project budgetary control system, which Murray mentions above, is left for the next section. Here, I will describe – what is called – ‘the program plan’.

The program plan can be described as a scheme for human resources, which undoubtedly are the most important asset and a serious bottleneck at Soft Tel in general and Software Development in specific. James N who is responsible for the program plan explains that it specifies when – in time – a project is going to be running. It also specifies what kind of human resources that will be
needed during the project, and how much of these resources. James N shows me the structure of the program plan in order to make it more visible. Principally, it looks as in figure 4-4.

<table>
<thead>
<tr>
<th>Project</th>
<th>2004</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>April</th>
<th>May</th>
<th>June</th>
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<tbody>
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<td>Project 3</td>
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**Figure 4-4: The Structure of the Program Plan**

A project relates to the development of a new release; either maintenance, minor or major release. As soon as it has formally been decided to develop a new release, a project is started. Each project needs different kinds of human resources in different stages of the project. This is specified within the program plan.

Actually, the program plan has the character of a forecast, since it is continuously updated. James N explains that he may make small alternations in the program plan, maybe once a month. Major alternations are made more rarely, for example when a new project is started or when a project is severely delayed and has to have priority. Regarding smaller updates, James Says:

"Maybe once a month. Approximately. But…the idea is that it [the program plan] should be quite long-termed and therefore should not require updates very often. But once a month maybe. And it varies, if we make changes with respect to priorities or not."

James N, October 2004

The program plan is also similar to a forecast in the sense of not primarily being used for control or for achieving goal congruence. It means that variances are not formally and periodically analysed and no one is held responsible for meeting forecasted results. Instead, the program plan is used for planning and for decision-making. James N explains how the program plan is used when Paul or someone else within Program Management decides about a new release, and its components. Program Management has some ideas about a new release, what kind of components and functions to incorporate. Together with Software Development, they also have an idea of how much resources suggested developments will require. James N’s task is to specify – by looking at the
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program plan – how much resources that actually are available and when they are available. James N himself describes his role:

“So when he [referring to Paul, Product Manager] gets my budget [referring to available resources], then he looks at his functions and tries to get things together. [...] It is quite easy for me. I only have to tell them…that we have so many men available. That is my role. Then he fills it [this empty recourse budget] with contents.”

James N, October 2004

Paul describes the procedure in a similar way, even if not mentioning the program plan. He says:

“…they [Software Development] have a development budget which is empty. Principally, I get this. And then I fill it with contents. [...] …and then that share of resources is appropriated.”

Paul, June 2004

Later in the interview, Paul explicitly mentions the program plan and describes it as one of the most important management tools, and much more important than the budget. According to Paul, the program plan is necessary for keeping track of the timetable and available man-hours. For Soft Tel, he explains, an overall goal is to deliver a new release in time. Consequently, resource planning and time management are of central importance within Soft Tel. About this he proclaims:

“So, how we use resources in our projects is the most important management issue in the whole company. Not how much money each department spends.”

Paul, June 2004

Referring to this kind of resource planning and time management, he also adds:

“And it is done via – what we call – the program plan.”

Paul, June 2004

Even if the program plan is described as a very important instrument, James N describes the preparation of this plan as a simple task. It does not cause him much trouble. He says:

“The program plan is easy, but it is to get all things together at the end [that is difficult].”

James N, October 2004
My interpretation of his statement is that the work with the program plan is simple. The difficult thing is to solve the problems that the plan points at, and to make priorities among possible alternatives in order to use available resources in the most efficient way. James N further explains that he has the authority to make alternations within the program plan – and make changes between projects – as long as he keeps the total budget and delivers in time. In any other case, he has to go up one level, and talk to his superior. It may then be an issue for the management team to discuss.

James N – as a manager of a section within Software Development – is also a member of the Software Development’s management group. He takes part in a section meeting – what is called a ‘line meeting’ – once a month. When I ask him if he has a standing item on the agenda of the meeting, he answers:

“I had previously. And then I went through the program plan. [...] Simply so we could discuss the program plan [and its consequences].”

James N, October 2004

He adds that this is not the case anymore. He explains by referring to the fact that there is in principle only one project running these days; the development of ST 3.0. The program plan does not seem to be discussed on a regular basis in any other formal forum. Discussions regarding the program plan, as well as individual projects, are primarily taken place when there is a problem to be solved, and maybe at some major milestones in a project’s life-cycle. When I for example ask Murray if they regularly discuss project-related reports on their management meetings, he answers:

“No. If there aren’t any problems.”

Murray, November 2004

One such problem, which Murray mentions, is if they have difficulties in keeping the time table. Jeffrey will in such situations bring this up, so they can discuss it and find a solution. He says:

“…if we can’t keep the time table or so. Then Jeffrey will tell us. And then we may together try to find a solution. If we can relocate resources in some way…”

Murray, November 2004

4.5.2 Project Budgets and Budgetary Control

Next to the program plan, project budgets are prepared. This is also one of James N’s responsibilities. He says:
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“I have a budget for each project”.

James N, October 2004

Neither the work with preparing these budgets causes him much work or troubles. According to his description, he simply takes his sectional budget and then divides budgeted expenses between his projects. In his words it works as follows:

“I get a large budget for travel expenses, for all projects. Then I have to allocate them to every single project. [...] I have to split it up.”

James N, October 2004

He then continues:

“But that is no hard work. I only have to relate it to number of people involved in the project.”

Later he clarifies that a project budget almost only holds travel expenses, besides human resources. Costs for different kinds of equipment are seldom allocated to a project, according to James N. And as his statement reveals, it is easy to determine travel expenses. Most often, he simply uses a standard cost, in a similar way as when preparing departmental budgets (see 4.3.1).

The projects are, according to James N, followed up each month. As soon as they get the monthly report from Murray – for the whole section – expenses are divided between projects. This is done by James N’s personal assistant, who gets necessary information – besides the monthly report – from Murray. Hereby, it is possible to currently follow the projects with respect to used resources.

James N further reports to Jeffrey – his superior – each week. He sends a project account via e-mail which holds information about the status of each project. This account is sent to all members of the project management group. Appointed project managers report to James N in a similar way. They send a weekly mail to him, in which they describe how their individual project proceeds. Beside these mails, they also report orally to James N in project meetings, which are held once a week.
4.6 Performance Measurements and Reward Systems

4.6.1 Measuring Financial Performance

At Soft Tel, financial targets are quite few. One such target is however the internal measure of sales. As previously stated, Soft Tel has an internal measure for sales, which holds both royalties and consultancy revenues; a measure which there also is a set target for. Murray further tells me that there is an income-target, which is based on this internal sales measure. Beside these two measures, together with budgeted expenses, there are no other financial measures with specific targets, on a company-level. James S explains that he has plans to incorporate some key ratios, which would make it possible to compare the outcome between periods and possibly also between departments. He says:

"Those goals that we set up for each half-year, they change all the time. So there is no traceability, no history, where we can see if we have improved ourselves or not. We need some key ratios."

James S, May 2004

He further explains that he has left this work of developing Soft Tel's financial performance measurement system, to Murray. Actually, it is one of Murray's goals for the following six months, to look into this issue and to provide some suggestions, James S explains. Murray himself also mentions this as one area where he has plans to make changes and improvements. When I ask Murray if he produces any other financial information for the company, besides the information stated within the budget, he answers:

"No. Not at the moment. But for the future, there are plans regarding balanced scorecards, to make something like that."

Murray, April 2004

He has however introduced one key ratio – cost per head – which has been mentioned. Once a month, he delivers a report which holds information about some important cost items in relation to number of employees. This makes it possible to make comparisons between periods, and between departments. However – as it appears to me – the ratio is so far of limited importance and is not used systematically. No one mention the ratio as an example of a performance measure that actually is looked into.
4.6.2 The Performance Matrix

Even if financial targets are rare, there is no lack of goals and targets which are used for measuring performance at Soft Tel. On the contrary, there seem to be a vast amount of goals. Eve touches upon this issue when saying:

“We have no grand and very critical goals. We have many small goals, in order to keep track of our development.”

Eve, June 2004

Even if she has her own department in mind when stating this, it seems to be the same for Soft Tel as a whole and also for other departments. It seems like there is nothing corresponding to the overall goal of growth which penetrated the whole Roxtec organisation (Lövstål, 2001). Rather there are many small goals, and different kinds of goals. Beside mentioned financial targets, the interviewees also bring up examples of activity goals and non-financial output goals. And they talk about strategic goals, department goals, project goals, individual goals, among others.

That they – within Soft Tel in general – work a lot with goals comes up for example when James S describes the ‘culture of commitment’. This culture is based on the idea that individuals, or a small group of people, should be responsible for a certain field of activities. He also clarifies that they – the people responsible – themselves determine what has to be done, and when it should be finished. In this sense they set their own goals. They are then obliged to meet these goals, even if it means that they have to work “some evenings and weekends”, as James S puts it.

Also Jeffrey and Paul talk in terms of goals, and stress the importance of having such. They both express an ambition to develop this in the near future, and to determine specific targets, or performance measures, for their respective department. Jeffrey explains that he has determined to measure the performance – within Software Development – in three dimensions; predictability, quality, and efficiency. He has not yet determined what measures to use. It is one of his goals in the nearest future, to decide those measures.

At Soft Tel there is further something that is called ‘the performance matrix’, which is a formal performance measurement system. The system is used on a company-level, but also for measuring the performance in departments and sections. The matrix is described as a curve chart by the interviewees. The idea is that managers should collect points during the year, reflecting goal fulfilment. James N describes the procedure in the following way:
“We simply set up goals, and then sub-goals, and then we get points for each sub-goal”.

James N, October 2004

Starting with the company as a whole, it has those strategic themes which are broken down into more concrete activities and distinct goals. Examples of such goals may be number of licensees in general, and number of licensees among the top-ten manufacturers within the global market. James N mentions another important goal which is included in the performance matrix for the company as a whole – to deliver new releases and projects in time. He explains:

“…the central thing is to deliver projects in time […] 99 per cent of our resources act to deliver in time.”

James N, October 2004

Being such an important goal, he further explains that this is also a stated goal for the Software Department and his own section – Program Management. He explains:

“So it [the goal to deliver in time] falls down on Jeffrey [head of Software Development] and then it falls down on me.”

James N, October 2004

Hereby, he actually indicates that there is – despite all – some kind of grand goal, which permeates and effects the whole organisation.

Each department has also its specific goals, stated in a performance matrix. The goals are often activity goals, expressing a commitment for change and progress projects. Murray, on his part, gives me some concrete examples of goals that have been agreed upon within his department. One thing that he and his departmental colleagues have pledged themselves to do in the current year is to improve the budgeting process, particularly to look into the estimation procedure. He also mentions that they have plans to implement an enterprise resource planning system; something which he in a later interview tells me that they are in the process of doing. The marketing department may serve as another example. As already mentioned, Eve explicitly stresses that they have many goals, and work actively with them. When I ask what kind of goals they have in her department, she answers:

“It is SMARTA [clever] goals.”

Eve, June 2004
She clarifies that she and her subordinates always try to find goals that are Specific, Measurable, Achievable, Reachable, Time-based and Acceptable. For the marketing department, it is in many cases activity goals. There may for example be a goal of signing seven new partners to the partnership programme, or of making ten press releases. It may also be non-financial output-goals, e.g. a goal which says that Soft Tel should occur in the press 2000 times in the next half-year. Or, that there should be a certain number of visits on Soft Tel’s web site. Once again she emphasises the importance of having goals that can be measured, and that are plain and distinct. No fuzzy goals are accepted. In a somewhat later telephone interview, we come to talk about the goals once again. She then clarifies that they – within her department may have up to fifty stated goals, structured around maybe five main goals.

Eve also describes the processes of setting up goals. She tells me that she, together with her team, set up goals and make a detailed plan as soon as the budget as been approved. They always have to wait for the budget, she explains, since they can not set up goals that they can not afford. Marketing goals – for the following half year – is something she determines together with her subordinates. Also the other managers involve subordinates in the procedure of setting up departmental goals. At least, they have the ambition to involve departmental members, and thereby increasing employees’ participation but also their responsibility for achieving determined goals.

Goal fulfilment for the company, as well as for departments and sections, are measured by using ‘the performance matrix’. Each intermediate goal – or step towards an overall goal – is worth a number of points. It means, James N explains, that it is not a question of 0 or 1. Even if he does not manage to deliver all projects in time, he still gets some points. He says:

“If I am very close to deliver in time, then I have almost reached my goal. […] Then I still get some points.”

James N, October 2004

A last thing to mention here is individual performances. How are these followed up? And how do managers keep track of the subordinates’ progresses and how do subordinates account for the activities and achievements? Here, a similar procedure is followed by managers and their subordinates. Jeffrey, Paul and Eve tell me all that they once a week receive a mail from their subordinates. In Jeffrey’s case, he receives a mail from his section managers. Paul and Eve get a similar report from all employees within their departments. Within the mails, the employees give a brief report on what has been done during the week, and also their plans for next week.
4.6.3 Reward Systems

There is a formal reward system for managers within Soft Tel. It is a bonus system that is linked to the performance matrixes. James S, all departmental managers, and some section managers have such a compensation plan, and get a bonus based on goal fulfilment according to their respective performance matrixes. James S clarifies the principles of the bonus system, and takes Jeffrey – manager of the Software Development – as an example when illustrating it. He explains that Jeffrey, as a manager of a department, has a number of individual goals, which actually also reflect the goals for his department. He says:

“So beside those goals that he has as a member of a management team, he also has individual goals that are his departmental goals. Against which he is measured.”

James S, May 2004

Their individual – or departmental – performances matrixes are used for calculating the bonus compensations. James S further clarifies that calculated bonuses are adjusted to budget fulfilment. If responsible managers manage to keep the budget, they get for example 90 per cent of the bonus. If they go below budget, they may get 100 per cent. So, the bonuses are based on collected points in their performance matrix together with budget fulfilment.

Regarding employees, they do not have a formal reward system of this kind. In order to capture more informal rewards, I ask the interviewees what kind of achievements that are celebrated in their departments. This question seems to make them somewhat embarrassed. Paul – having his department in mind – says for example:

“Sometimes we do something like that [celebrate]. Sometimes we do, but not enough I believe.”

Paul, June 2004

When I ask Eve the same question, she says with a smile:

“Oh oh, now it’s time for this kind of questions!”

Eve, June 2004

She then continues by saying:

“I try that we celebrate a little all the time. […] But maybe we don’t celebrate our activities. But we have many occasions, many fun occasions, which are appreciated…”
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She also adds that she is convinced that her subordinates know when they have done a good job, even if such achievements are not celebrated and formally rewarded. James N, on his part, says:

“No. […] We are quite poor at that.”

James N, October 2004

He further explains that he has a very small budget for such things. There may be some money for celebrating in the project budgets. But as far as it concerns his section, there is “almost nothing”, he says.

James S answers quite quickly the question, as the only one. He, who has the company as a whole in mind, explains that they celebrate when they have a new customer and when a new release is finished. He says:

“These are important milestones. Above all, we have to understand that it is important to get a new customer, a licensee.”

James S, May 2004

4.7 A Picture of MCS in an Entrepreneurial Organisation

4.7.1 Entrepreneurship at Soft Tel

Soft Tel was appointed as an appropriate company to investigate, since it corresponded with my definition of the entrepreneurial organisation; an organisation which “is characterised by an ability and willingness to pursue opportunities – to innovate – in order to vitalise and redefine the organisation per se, its market and the industry” (see section 1.5.1). When scrutinising Soft Tel, it can also be argued that it has this ability. Members at Soft Tel are good at seeing and taking advantage of opportunities and to create something new in order to strengthen and change Soft Tel’s position on the market. It is for example reflected in the fact that the company is still on the market, and also growing. Being in an industry which is characterised by fierce competition, quick technological changes and a few heavy players, put particularly demands on a small organisation as Soft Tel. As stated in section 2.2.2, such industry characteristics were described in Stevenson’s framework (1983) as pressures that pull organisations towards entrepreneurship. Since Soft Tel has been able to successfully compete with a number of very large companies, it can be argued that employees have proven to be particularly good at finding new technical
solutions, to quickly take advantages of new technological changes, and to find new areas of applications for the product. As has been clarified, Soft Tel is also heavily dependent on its owners for gaining more resources. That the owners have continued to support the company and provide it with more resources – despite a period of severe crisis – also indicates that the employees at Soft Tel have managed to create something of value; something which other players in the industry do not accomplish by themselves. When reading newspapers and magazines, it also becomes apparent that Soft Tel – despite its smallness – is regarded as an important company whose actions affect the development of and the situation within the industry. As one example, James S (CEO) has – for a number of years – been appointed by a technical news magazine as one of the most influential people in Sweden, in the industry in question. It can also be stated that Soft Tel appears quite frequently in articles in the same magazine; which can be described as a nation-wide, quite wide-spread technological-focused magazine. An article search reveals that Soft Tel is mentioned in fifteen articles in 2004 and in twelve articles in 2005. Furthermore, it can be repeated that Soft Tel’s product originally was developed in order to provide an interesting alternative to those products that were provided by leading and dominant actors within the industry. Being based on a different system than competing products, ST (the product) challenged established products and also involved the creation of something new.

Looking back, it can be argued that Soft Tel – or rather its members – has proven to have an ability to innovate and to introduce innovations on the market. Besides, descriptions of Soft Tel also reveal a willingness to pursue opportunities. During my interviews with Soft Tel managers, they express a wish to be in the front of the development within Soft Tel’s product area. Such a wish can also be found in written documents, e.g. on the web site. There it is stressed – for example – that the product (ST) is continuously evolving in order to fulfil the latest requirements. A lot of money, time and effort are also spent to find new solutions, for example new areas of applications or new technical solutions. Actually, it can be argued that the whole organisation and almost all activities are focused on the development on new things. First of all, it could be argued that most people at Soft Tel are involved in the creative process of developing new releases. That is what most people are employed to do. Soft Tel does not have a specific department for ‘research and development’, in a traditional sense. Instead, the whole Software Department, with more than 80 people, is involved in these activities. In addition to that, there is the department of Product Management, which plays an important role in Soft Tel’s development process. It, or rather the people in the department, is responsible for producing – what is called – a specification of requirements. It means that the people in this department has the final right to decide what components a new release should be composed of, and what improvements that
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should be made. They are not necessarily the ones that come up with ideas, and they do not develop them in a physical sense. What employees in the department Product Management do is to screen among ideas and to specify chosen ones into a specification of requirement, and in regard of available human resources.

During my talks with Soft Tel actors, no group of people or single individual stand out as more creative than others. As a contrast, Roxtec can be mentioned. Here, Mikael – the founder and managing director – was described as the ‘entrepreneur’ with many innovative ideas. At Soft Tel, no one is ascribed as the ‘entrepreneur’, or the ‘inventor’; at least not during my interviews. Neither is there a group or a department that is described as more creative or innovative than any other. And this seems to relate to both product-related ideas and suggestions, and process-related ones. Accordingly, almost everyone is actively involved in the processes of generating and developing new ideas. Paul – head of Product Management – expresses a similar idea, but in other words. He tells me that he thinks that the company is characterised by a lot of creativity. He adds though, that he does not believe that the people inside Soft Tel regard and perceive themselves as creative and innovative. He clarifies by saying:

“We are creative as an organisation. We create excellent things. […]
But creativity here is not a personal quality, it is an organisational quality.”

Paul, June 2004

Considering the above, it can even be stated that the development of new releases and applications at Soft Tel is ordinary business. This is emphasised by Paul when saying (cf. section 4.3.2):

“In our business you should develop new releases. We have nothing else to do.”

Paul, June 2004

This means that the conflict between ordinary businesses and development projects – which is often assumed when discussing corporate entrepreneurship – is not an issue at Soft Tel, at least not as long as entrepreneurship and the creation of new solutions relate to the product offering. It can further be stated that Soft Tel has similarities with an R&D department, particularly if also considering its background as a development department and its present situation with no real income streams.

It can further be clarified that there are specified processes – in which innovations are created – that can be described as both planned and systematic. These processes can be interpreted as both regular and predictable. Hereby, it
can be suggested that entrepreneurship in the case of Soft Tel involves little uncertainty. This is quite contrary to a common idea that R&D organisations are characterised by high uncertainty. However, that the degree of uncertainty may vary in different R&D organisations have been acknowledged by e.g. Abernethy and Brownell (1997). By referring to Perrow and his framework, they suggest that such settings may differ in respect to both task analysability and number of exceptions. Task analysability relates then to the existence of established techniques for handling tasks, whereas the number of exceptions points at the variety or novelty in encountered tasks. Considering this distinction, Soft Tel’s development activities is often characterised by low uncertainty, both in the meaning of task analysability and number of exceptions. It could possibly be claimed that they have been in a temporary situation of somewhat higher uncertainty while developing a new major release.

If also considering that many of Soft Tel’s development projects are initiated by external actors and that the projects often have the character of commissions, it gives some additional insights into the meaning of entrepreneurship at Soft Tel. And even if arguing that many projects and developments are not direct commissions, they often have their origin within a customer need. Therefore, it seems as if Soft Tel is particularly good at reacting to needs and perceived deficiencies and at solving customer problems. It can also be emphasised that these kinds of development projects involve less risk than projects where there is no predetermined buyer or explicit client.

It should further be noted that the interviewees do not talk in terms of entrepreneurship themselves. They do not – for example – describe the organisation as ‘entrepreneurial’. They rather describe it in terms of flexibility. Creativity and quickness in problem-solving is another aspect which they emphasise as a major strength. Neither do they bring up entrepreneurship nor closely related aspects when describing and justifying their use of management control systems. In this sense, Soft Tel is very different from Roxtec, where entrepreneurship permeated the whole organisation (see Lövstål, 2001). It was also an aspect that was returned to repeatedly when talking to the members at Roxtec. That Soft Tel has been good at developing new solutions and to introduce them successfully in the market, does not seem to be explained by the fact that it is an organisation which is permeated with entrepreneurship. Rather, it has been good at quickly reacting to customers’ demands and to quickly and creatively solve problems.

4.7.2 Summary – MCS at Soft Tel

The focus in this study is on formal management control systems, particularly on such systems which can be classified as accounting-based (see 1.5.2). These systems can hold both financial and non-financial information and measures.
In previous sections, I have described a number of systems and tools which are used in managerial work and processes. At Soft Tel, revenue and expense budgets are prepared twice a year, for both the company as a whole and for departments and sections. These budgets are followed up in monthly reports, in which the actual outcome is compared with budgeted figures. Budgets for development projects are also prepared and regularly followed up. Another planning tool which has the project as a measuring object is the program plan, in which human resources are allocated. According to the interviewees’ statements, the program plan is a very important management tool. First of all, it shows idle capacity, and is therefore used when determining which improvements and development projects to engage in – and when. Second, it is used when there is a need to change the priority between projects, e.g. when a project is behind time. A very important overall goal at Soft Tel is to deliver in time.

Another important management tool is the performance matrix; a formal performance measurement system. It holds targets on different levels, for the company as a whole as well as for single departments. The idea is to collect points, based on goal fulfilment. For managers, there is also a bonus system linked to the performance matrix. Stating goals and targets, and measuring goal fulfilment, the performance matrix is important when organising work and carrying out activities in departments and by responsible managers. In this sense, the performance matrix is different from the budgets, which have little effect on the daily work. The budgets simply clarify resources at hand, for the company as a whole, for departments and sections, and for projects. But, they are not actively used for mobilising action, for motivating employees or for organising work.

It can also be stated that there is a strong focus on expenses – particularly on expenses related to human resources – in the budgeting and control system. This is explained by the fact that Soft Tel has no real income streams, and still has similarities with a development department. However, there are a few internal revenue and income measures, which are used to counterbalance a strong expense focus. The interviewees also emphasise that they work with a number of different types of targets, e.g. activity targets and non-financial output targets, as a complement to financial ones.

At Soft Tel then, they have a quite well-developed management control system, in the sense of having systems which complement each other with respect to purpose, measuring object and type of information/measures. During the interviews, some managers also express an ambition to develop the management control system even more. Murray, for example, expresses a wish to work more with prognoses. James S asks for key ratios which would make it possible to compare company performance between years. Murray and James S
are also thinking about developing and starting to work with balance scorecards, at least on a company level.

When evaluating and deciding upon new opportunities, the program plan is used, since it shows the capacity at hand with respect to human resources. Before investing in new projects, a financial estimation is also made, with the aim of determining if it is a ‘business case’. The aim of these estimations is mainly to determine the extent and contents of a new development project; a new release.
5 Analyzing the Use of Management Control Systems at Soft Tel

5.1 Introduction

Previous chapter focused on Soft Tel’s management control system; presenting its subsystems and related processes. It clarified the motives or explanations for having these sub-systems. In this chapter I try to analyse and interpret the use of management control systems in relation to the framework presented in figure 2-6. The discussion will be structured in accordance to those management control processes which are incorporated in the framework, i.e. planning, decision-making, and organisational control. The aim is to describe and interpret what tensions are reflected in managers’ use of management control systems and how the tensions are balanced.

5.2 Accounts on MCS and Planning at Soft Tel

5.2.1 Depict Mainly an Instrumental and Linear Process

In chapter 2, it was argued that a planning process can be portrayed as a tension between an instrumental and linear process on the one hand and an emerging one on the other. It was further declared that an instrumental planning process often is described as problematic from an entrepreneurship perspective, since it is based on assumptions about predictability and stability. Despite this, there are many statements that reflect such an instrumental and linear model in the interviewees’ descriptions of Soft Tel’s management control system and its use. As outlined in section 2.3.2, an instrumental planning process was described in terms of e.g. a division between formulation and implementation, by a means-end hierarchy of goals and sub-goals, by detailed planning and a close follow up, and by stringency towards goals and targets. For example, when James S describes the strategy planning process, which is ongoing when I make my
interview, he depicts what I perceive as an instrumental process. As has been presented in 4.3.2, he explains that some critical success factors recently have been determined. He further clarifies that these success factors are about to be translated into a plan, which specifies how to realise the factors. He expresses it as:

“And then it should be modulated into a plan which shows how we make progress towards these success factors.”

James S, May 2004

A similar process, which holds two distinct phases of formulation and implementation, is further depicted when James S describes his work as a CEO. He says:

“[My work is to] formulate strategies, to formulate what we should do and then see to it that it is executed in the best possible way”.

James S, May 2004

This statement also points at an ambition to find a “best possible way”, among many alternatives; an ambition which requires careful analysis and evaluation. Unfortunately, James and I do not elucidate what he means by a “best way”.

Eve describes thoroughly how she plans the activities of her department (see section 4.6.2). Her descriptions point analogously in the direction of an instrumental model. As soon as the budget has been approved she sits down with her team and they together translate this budget into goals and activities. The group prepare a plan for the next six months; a plan which is well specified into targets and activities. Eve talks about SMARTA targets; targets which are specific and measurable among other things. She also reveals that her department may have up to fifty such targets, structured in hierarchical levels. Such a hierarchy, where goals are rationally broken down into sub-goals and more specific targets, were mentioned in section 2.3.2 and discussed in terms of an instrumental and linear view of planning.

Such a hierarchical model, described by e.g. Normann (1975/1999; see 2.3.2), is also encountered in the performance matrix. It is for example illustrated when James N describes the procedure related to the performance matrix. He does this in the following way (see section 4.6.2):

“We simply set up goals, and then sub-goals, and then we get points for each sub-goal”.

James N, October 2004
He also points at a goal-hierarchy when he explains how company-goals are made into departmental goals, and then into sectional ones. He says:

“So it, [the goal to deliver in time] falls down on Jeffrey [head of Software Development] and then it falls down on me.”

During the interviews, it further becomes apparent that the plans are closely followed up. Eve, for example, explains that her team members send her an e-mail each week, which holds a brief report on what has been done during the week and plans for the next week. Jeffrey and Paul ask for a similar report from their subordinates. James N, on his part, further reveals a similar procedure with respect to projects. According to his accounts, projects are – like departments and sections – carefully planned and closely followed up and compared with budgets and project plans (see e.g. 4.5.2).

In many respects, the interviewees portray a planning which can be interpreted as instrumental. When they describe planning processes, as reflected in strategy planning, budgeting and goal setting for example, there are few statements that point in the direction of an emerging process. No one talks in terms of learning, experimentation or ‘muddling through’. It can be argued though that planning – from such a muddling perspective – can be understood as flexible in the sense of being changeable and tentative. Such flexibility is in some sense inbuilt in the planning system, for example in the growth budget, the program plan and in rolling prognosis. To start with the growth budget, which was described by James S (see 4.3.1), it involves changeability and flexibility to the budget. As described in section 4.3.1, two budgeting processes often take place simultaneously. There is one ordinary budgeting process, which is based on non-growth. This process is coordinated by Murray. But there is also another one; a negotiation process which aims at getting more resources from the owners for growth and development. If the process turns out well, a received growth budget is put on the top of the ordinary budget. In this way, there may be changes and adjustments in the yearly budget.

The program plan was characterised as a forecast in section 4.5.1, since it is continuously updated. It is a living document that is changed frequently due to e.g. new priorities and new releases. The same relates to the rolling prognosis, as Murray mentions. Prognoses are not worked a lot with, but Murray expresses an ambition to do so. In a later interview, he also clarifies that the sales department has started to make prognoses with respect to sales. He adds that there may also be attempts to make prognoses on the company’s expenses in the near future. He explains (see also 4.3.3):
“…we need to look at our costs as well. To make prognoses for these in order to have a better control. Not only looking at our budget. There are sometimes situations where you have to overdraw the budget.”

Murray, April 2004

We can conclude that there are some descriptions of Soft Tel’s planning systems that soften the picture of a mere instrumental process, and which point in the direction of an emerging type of planning. In the case of Soft Tel this emerging character of planning is primarily captured in the use of flexible and changeable planning tools and systems. There are also some statements that point in the direction of a more flexible attitude towards planning than the instrumental model suggests. This is however left for later, since this is not only related to this aspect of planning, but also to some aspects discussed in next.

5.2.2 Point at Formalisation

In my frame of reference, I formulated a tension between a formal and an informal planning process. A formal planning process was characterised by an existence of explicit rules, policies and procedures, governing planning and reporting activities. It was suggested that the ideas behind formalisation is in conflict with entrepreneurship for two reasons: (1) it is based on assumptions about replication and stability, and (2) it put limits on employees’ freedom of choice. On the other hand, it was suggested that formalisation reflects a kind of orderliness which makes it possible to focus on right things.

Formalisation is something that many of the interviewees at Soft Tel mention in relation to working processes. When listening to them it appears that they – at Soft Tel in general – work quite a lot with the processes, in order to formalise them and thereby making them more efficient. Jeffrey, as one, emphasises the importance of having efficient processes. Having particularly software development in mind, he explains that one of his challenges – as a head of the department – is to see that the processes are efficient. He also explains that he and Paul have worked a lot with the software development process. He shows a picture of a project’s life-cycle which illustrates the process. It holds information about activities in different stages and about milestones and tollgates. It also determines who is responsible for each activity. This development process is highly formalised in the sense of being determined by rules and procedures. Even if not being as fully developed as the software development process, many other processes are depicted as formal by the Soft Tel actors. Some of the managers also reveal an ambition to improve processes that are still somewhat unbridled.

The budgeting process, which is described in section 4.3.1, is one of the processes that are depicted as a formal one. Even if not put down in writing, the
Analysing the Use of Management Control Systems at Soft Tel

The budgeting process appears to be well specified regarding what should be budgeted for, by whom and when. It can even be claimed that the budgeting process is determined by very strict rules. As outlined in section 4.3.1, managers having a budget responsibility received detailed instructions, specifying for example what expenses should be budgeted for. For some expenses the instructions also held some kind of price labels. Besides, budgeting is by some of the interviewed managers described as an exercise of simply “filling in empty cells”. James N’s work with the program plan and projects budgets seems to be prescribed as well. One indication of this is that he describes these processes as very simple to perform. About the program plan he says for example:

“[The work with] the program plan is a piece of cake.”
James N, October 2004

My interpretation is that the work with the program plan is well specified and that James N knows precisely what is expected of him. The interface between Product Management and Project Management, with respect to the program plan, is also very clear. It is clear regarding who is responsible for what, and how it should be used by Product Management and Project Management respectively.

Regarding the processes of planning and setting up goals for each department, these processes vary somewhat between departments. Eve, who has been in charge for her department for a couple of years, has developed fairly well-specified routines and procedures for this work. Paul, on his part, has not accomplished this yet. He expresses an ambition to develop such procedures for his department as well.

Soft Tel members describe formalised procedures with respect to planning and reporting. In addition, they stress the importance of having those and to continuously improve these processes. However, we can see some differences between departments, regarding the degree of formalisation. Besides, there are answers that indicate that these planning processes are not as strictly followed as the theoretical models point at.

5.2.3 Hint at Tightness

Another issue that I discussed in relation to planning was the question of tightness and looseness. Considering the attributes which were brought forward in relation to the dimension of tightness/looseness (see 2.3.2), it can first be suggested that tight planning is characterised by a large amount of detail and a high degree of clearness. Second, it is characterised by limited means to revise and alter set plans and targets. In this sense, tight planning can be understood in terms of high degrees of stability and firmness. A third attribute was the
amount of emphasis on attaining plans and goals. When adopting tight planning, there is a large amount of such emphasis and the overall aim of planning is to keep to the plan. The reason for bringing these opposing elements up was that tightness in many respects seems to fit badly with entrepreneurship and the creation of something new. For example, how can we set up tight goals and prepare detailed plans when precedents and experience are lacking (cf. e.g. Kanter, 1985)?

Considering first the clearness of goals and the amount of details, it can be argued that Soft Tel’s planning is characterised by tightness. A catchword seems to be “SMARTA [clever] goals” (see 4.6.2), which refers to targets which, among other things, are Specific and Measurable. Listening to e.g. Eve, it appears as if she works quite hard to construct and articulate such targets. Eve explains:

“…this is not the way for us: "We should become better in marketing". Instead it has to be: "We shall make ten press releases this year. We shall sign up seven partners in our partnership program".”

Eve, June 2004

She explains that this relates also to activity goals. She expresses it in the following way:

“…some targets are more of activity goals, but they should also be binary. It mustn’t be fuzzy. It has to be clear.”

Jeffrey and Paul, who quite recently have been appointed heads of their departments, are not so clear in their descriptions on how they plan and manage their departments. They are “feeling their way around”. They do express an ambition to work more with targets, as the ones Eve describes. Referring to his department, Paul says at one occasion:

“So far, I have told them [the subordinates] what to do. […] But now we are passing more into a kind of management by objectives.”

Paul, June 2004

He later continues:

“Today, we don’t have any measures. […] A goal is to put together measures.”

By measures here, he refers to some measurable targets for the department. Talking to Jeffrey, I also realise that he too is trying to find some overall measures for his department. He is for example searching for targets and measures which capture timeliness, quality and efficiency; three important
success criteria for his department. Also his performance matrix and his ambition to introduce a balanced scorecard reflect a belief in measurement.

The goals at Soft Tel can further be understood as tight in the sense of being firm and stable. Even if the interviewees do not describe them as such, plans and targets are perceived as quite fixed once they have been set. If viewing the budget as a goal, managers describe it as something which is not negotiable – once being set – and that they have to stick to it. This relates particularly to the overall company budget. When I for example ask Michael if it is possible to exceed the company budget, if it seems necessary, he answers in the following way:

“Yes, then you have to apply for…go to our parent company and ask for more money. […] But you have to have a very good reason for doing it.”

Murray, April 2004

Here he indicates that it is possible to ask for more money, but that it is a last resort. The overall aim is to stick to the budget. A similar mentality applies to sectional and project budgets. This is for example indicated by Murray when he describes his duties. He explains that he has to see to it that departmental budgets are kept. He then adds that – so far – he has not been forced to give anybody a reprimand for overdrawing their budgets. Responsible managers keep their budgets well. This is also something which is supported by Eve. When discussing the marketing budget, she clarifies that she would never overdraw her budget. She expresses it in the following way:

“…but I would never overdraw it [the budget], because I know what my budget is.”

Eve, June 2004

James N expresses a similar view with respect to project budgets; that they have to be kept. He says for example:

“Have I asked for too little money for travelling in the projects, then I am held accountable for that and have to save and scrape.”

James N, October 2004

Furthermore, their statements reflect tightness if considering the overall aim of planning. For them, it is important to adhere to the plan and to take measure if deviations arise. It further implies that a good performance is one where the outcome corresponds with the plan. During my talk with James S, he expresses such an idea when saying:
"We have just left, or are about to leave, a strategy behind us, which has been a five-year-strategy with themes for each year for what we should accomplish. [...] We have hit the target every year, up to now. So, that feels okay."

James S, May 2004

Here, he indicates that an ambition – with respect to strategic planning – is to “hit the target”. He also indicates that they are pleased when they do so. Eve expresses a similar thing, however having budgets in mind. She says (see also 4.4.3):

“We do keep our budgets quite well in the company. And we are below the budget, which we have been for several, several years.”

Eve, June 2004

Much of planning at Soft Tel aims at reaching overall goals. The program plan – for example – is a tool for planning human resources so that goals, in the form of deadlines and other commitments, are kept. Also, much planning performed in departments and sections aims at reaching more overall goals, and to keep the budget. Statements and descriptions also point at a close follow up with respect to plans, which was mentioned in 5.2.1. One reason for doing such close follow-ups is to keep to the plan in order to reach determined objectives and overall goals.

During one of my interviews with Jeffrey, such ambitions and ideas behind planning become particularly obvious. At this point, he tells me that one overall measure that they are about to work more with – in his department – is ‘predictability’. He explains that this relates to the accuracy of plans. The idea behind such measures – related to predictability – is that they in the department continually should be able to follow their progress towards the plan, and to see early if they are “out of track” and need to take measures.

In the case of Soft Tel, the accounts from the interviewees point in the directions of a tightness with respect to planning. First of all, many goals are tight in the sense of being very precise and sharp. The goals are in other words measurable targets. Second, plans and goals are tight in the meaning of being stable and unchangeable. Ideas related to tightness are further reflected in the ambition to reach targets and keep to set plans. However, there are some statements that may give a somewhat different picture. Discussing the performance matrix and linked bonus system for example, a more diversified picture emerges. First of all, James N explains that there is a kind of flexibility in how points are collected. He says:
“If I deliver [a project] almost in time, then I have almost reached my target. [...] Then I still get some partial points. So it is not one or zero.”

James N, October 2004

Even if targets are not changed, there is flexibility inbuilt in the system. Second – and as will be seen in next section – some of the interviewees stress that the performance matrix will be revaluated and altered if conditions change. Even if these statements do not reflect assumptions related to looseness really, the statements at least point at a less tight planning than at first sight.

5.2.4 Touch upon Flexibility

According to the actors’ answers, there are well-specified procedures for planning activities, or at least an ambition to develop such. These procedures are mainly based on an instrumental and tight kind of planning. But there are statements and depictions that indicate a kind of flexibility in the attitude towards such models. These stories are however, according to my interpretation, not as conspicuous as the accounts of an instrumental, tight and formal planning.

During the interviews, some of the actors make a distinction between theory and practice. This may be an indication of a more flexible planning than the formal story reveals. Paul, for example, returns to this distinction a couple of times. When discussing the life-cycle model, previously mentioned (see 5.2.2), Paul says:

“But this theoretical model, it never happens here.”

Paul, June 2004

Similarly, Jeffrey – also discussing the life-cycle model – expresses a moderate attitude towards such models and formal procedures. He proclaims:

“We should not be slave to the model.”

Jeffrey, May 2004

He also explains that this is something he emphasises to his subordinates. My interpretation of the message behind the statements is that models and predetermined procedures should be a help, but should not hinder or delay the work and processes.

James N, as well, discusses in terms of a theory and a practice when describing the program plan. He says:
“So, there is a theory and a practice here.”

James N, October, 2004

He clarifies that Soft Tel is in an exceptional situation, most employees being involved in a huge project; the project of developing a heavy major release. He describes how the program plan works in normal situations, when there are a number of smaller releases running parallel. His duty is then to allocate resources between the projects, and in a way that resources are used evenly during the year. He thereby seems to suggest the devised way of working with the program plan does not function in the present situation when there is a heavy focus on one single project. It is also in this part of the interview that he explains that the work with the program plan “is a piece of cake”. He clarifies by saying that the tricky thing is to solve concrete problems behind the program plan. In other words, to put all pieces together – in practice.

A kind of flexibility towards planning and set targets is also revealed when Jeffrey discusses the performance matrix. He clarifies that targets – of course – are changed in case of new circumstances. A customer may for example change a request, which may make goals and efforts irrelevant. He adds though that such revaluations probably are made too seldom, and only under specific circumstances. He returns to this in a later interview, when having his own department particularly in mind. He says:

“In case of new information, we are clever enough to consider if we should change our objectives.”

Jeffrey, December 2005

He further clarifies that he tries to follow up the performance matrix of his department once a month, at line meetings. Once again, he expresses a wish to improve this procedure though. He says:

“Here, we can be better. We are not exceptionally good at follow up our objectives. We do it too rarely.”

Jeffrey, December 2005

A flexible attitude towards plans and targets in the management group can further be traced when I ask Murray what happens if he realises that one of his goals, stated in the performance matrix, turns out to be irrelevant and of low priority. Is it possibly to revaluate the performance matrix then, and included goals? First, he looks at little bit puzzled over the question, and only answers:

“Hmmm, Yes…”

Murray, November 2004
He explains that he has never been in that situation. But then, he tries to provide an answer to this hypothetical question. He then says:

“In that case, I would talk to James S, and maybe discuss it with the management. And then you get to reframe it. I do not think that is a big problem. They are not so strict in this sense. At least not our internal [management group]…”

Murray, November 2004

It can be concluded that the interviewees do not talk in terms of learning and experimentation, or in terms of vague goals. Still, there seems to be a flexible and moderate attitude among interviewed managers towards the way of dealing with planning.

5.2.5 Reflect Separation in Time

A fourth tension which was brought forward in relation to planning concerned the time perspective. Here, I discussed a planning model which separates different time perspectives. In contrast to that I put an integrative kind of planning, which is e.g. characterised by an interplay between action and vision. The last model is the one which is often discussed in the context of entrepreneurship.

Regarding Soft Tel, it can first of all be argued that its planning primarily reflects a medium-termed time perspective, when focusing on formalised management control systems. Considering its planning systems per se, it can be stated that departmental budgets, its performance matrixes, project budgets as well as its program plan are based on a medium-termed perspective. It pays a lot of attention and effort to planning on a medium-termed basis; a time perspective that is rarely stressed in the context of entrepreneurship (see e.g. Aghed & Senneseth, 1992).

It can further be stated that Soft Tel’s hierarchical model of planning and goal setting reflects a separation between different time perspectives. Soft Tel has a strategic plan which is translated into plans of a more medium-based time perspective, e.g. a yearly budget. These plans – and particularly departmental ones – are in turn broken down into monthly or weekly plans. It further seems as if there are separate processes and separate forums for different kinds of planning at Soft Tel.

However, there are statements and dimensions related to planning, that lean more towards the right side; towards an integrative kind of planning. For example, the program plan – and how it is worked with – involves a kind of integration between different time perspectives. It should be remembered though that Soft Tel – even if growing – still can be classified as a medium-sized
company. It means that even if having different processes and forums for planning, the same people are involved in several of them. It can therefore be argued that there is an automatic integration between different time perspectives. The person who is involved in long-term planning is for example also aware of immediate and acute problems in separate departments.

5.2.6 Balancing Planning Tensions at Soft Tel

Regarding the actors’ descriptions on how they prepare budgets and plans and set up goals, what interpretation can be made with respect to suggested tensions? What tensions are relevant in the case of Soft Tel, and how are they balanced?

Returning to the original tensions related to planning, presented in chapter 2 and repeated in figure 5-1.

<table>
<thead>
<tr>
<th>Instrumental</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td>Tight</td>
<td>Loose</td>
</tr>
<tr>
<td>Separative in time</td>
<td>Integrative in time</td>
</tr>
</tbody>
</table>

**Figure 5-1: Original Planning Tensions and Soft Tel’s Position**

To start with the first tension, there are many statements from the Soft Tel members that point in the direction of an instrumental planning. No one talks in terms of experimentation, learning, ‘muddling through’ or ‘feeling one’s way’ when explaining their respective planning processes in relation to e.g. strategy planning and budgeting. It could possibly be claimed that some of Soft Tel’s planning systems hold emerging elements in them. The program plan for example is a living document which is altered continuously, due to new circumstances. The same can be said about the sales prognoses, even if the use of these was in its infancy when I made my study. But overall, much of the reasoning is based on an instrumental and linear idea about planning. The planning process was further discussed in terms of formalisation, both within my framework and in relation to Soft Tel’s planning. Regarding this, I have argued that the interviewees’ descriptions and statements point at formalised processes. According to the interviewees, they have predetermined procedures...
Analysing the Use of Management Control Systems at Soft Tel

for their planning activities. In cases when they have not yet developed such predetermined planning procedures, the interviewees express an ambition to do so. This relates to e.g. Paul, who recently has been appointed as a manager for a newly created department. Continuing with the dimension of tightness and looseness, descriptions on the use of management control systems in planning processes primarily signal assumptions related to tightness. Detailed goals and plans are described, which are closely followed up with the aim of fulfilling them. Regarding time lastly, captured in the last tension, it was more briefly discussed in the above since it is closely connected to other tensions.

Instrumental planning, which has been described and where goals and plans are broken down in a means-end hierarchy, involves for example a separation of different time perspectives. In the case of Soft Tel, this is reflected in separate documents, separate processes and separate planning forums for different time perspectives. However, Soft Tel’s smallness seems to involve an automatic integration between different time perspectives.

Altogether, the actors describe planning ideas and practices which mainly reflect the left element in all four suggested tensions. If seeing these tensions as a continuum between two opposing elements, we could accordingly position Soft Tel towards the left-hand side of each continuum, as visually illustrated in figure 5-1.

Such a position means that the use of management control systems in planning processes appear to be primarily based on ideas related to instrumentality, formality, tightness and separation in time. Even if we can see some traces of the right elements in the use of planning systems, very little reasoning in the actors’ statements reflects these. Still, I have argued that there are some issues – occurring in statements – that modify the picture of a strict instrumental process, and of a very formal and tight planning. However, these modifying issues are not really captured in the elements presented in my framework. When listening to the actors’ descriptions and explanation, I get the impression that their balancing efforts can not really be understood in terms of a balance between an instrumental and emerging kind of planning, or between tightness and looseness. Having the instrumental model of planning in mind they rather look for a balance between rigidity and flexibility. An additional tension which captures their balancing concern in relation to planning could therefore be stated as follows:

```
| Rigidity in planning | | Flexibility in planning |
```

Even if there is a belief in an instrumental planning, the interviewees’ statements indicate that this model is not rigidly applied. This reasoning can
also be applied on the tension between tightness and looseness. I previously argued that the interviewees’ goals and plans are described as tight, in the sense of being stable and fixed. However, and as stressed in section 5.2.4, I can also observe a moderate attitude towards set plans and goals, and an understanding that these may have to be changed and may not always be fulfilled. The same relates to the overall aim of planning. Even if the overall aim of planning is captured in terms of keeping the plan and reducing deviations, a moderate attitude towards these ambitions can be observed also here.

Accordingly, the challenge does not seem to be in finding a balance between formal and informal planning, but rather of finding a proper balance between low and high degrees of formalisation. The interviewees do not question formalisation per se, but stress the importance of keeping it simple. In line with this reasoning, two alternative opposing elements can be expressed as follows:

\[
\begin{array}{cc}
\text{Complex} & \text{Simple} \\
\text{procedures} & \text{procedures}
\end{array}
\]

Considering the above tensions, what characterise them? Chapter 2 introduced and discussed the notions of trade-off, dilemma, duality and paradox. All these notions reflect a kind of dual thinking, at the same time as having different meanings. My interpretation of the two planning tensions, introduced above, is that they have the character of a trade-off. Accordingly, they can be understood as a continuum between two opposite poles. The balancing effort is to find a well-balanced proportion of both end-points. It means that the balance can be likened to a seesaw, similar to the balancing acts which Eisenhardt, Brown and Neck (2000) introduce. Accordingly, they can be portrayed according to figure 5-2.

\[
\begin{array}{c}
\text{Rigidity} \\
\text{Complexity}
\end{array} \quad \begin{array}{c}
\text{Flexibility} \\
\text{Simplicity}
\end{array}
\]

**Figure 5-2: Balancing Planning Trade-offs - Internal Processes**

As the metaphor of a seesaw suggests, the challenge is to create a neat combination of the two poles in order to avoid that one side tilts over. In the
case of Soft Tel, the interviewees express a satisfaction regarding internal planning processes. There seems to be a proper balance between rigidity and complexity on the one hand, and flexibility and simplicity on the other hand. Talking to Soft Tel actors, I realise that flexibility and simplicity are important factors and these differentiate Soft Tel from its competitors. From Soft Tel’s point of view, it can be argued that more of rigidity and complexity would make it and its processes slow and narrow-minded, and thereby less competitive. At the same time – and as it grows – there is a need to increase the degree of formalisation in its processes. Too much simplicity and flexibility would make processes less efficient and create confusion regarding what to do and when. An analogous way of illustrating the same thing would be to position Soft Tel on a continuum, as done in relation to original tensions. Here then, Soft Tel would be positioned in the middle, illustrating a suitable amount of both opposing elements (see figure 5-3).

Figure 5-3: New Planning Tensions and Soft Tel’s Position

Remember that Soft Tel is a subsidiary and that some of its planning activities are determined by the head office. It is easy to assume that these planning activities hold more of complexity and rigidity than the ones internally developed. There are also a few statements that point in this direction, even if interviewees do not express any severe discontentment over these processes and planning obligations. In the section on flexibility (5.2.4), I refer to a statement when Murray explains that there is a moderate attitude towards set targets among the managers. He adds that this relates to Soft Tel’s managers. Hereby, he indicates that he does not encounter a similar moderate attitude from the head office. Furthermore, the interviewees’ descriptions of the company budget and related processes – initiated and asked for by the head office – hold very little of flexibility. On the contrary, these descriptions suggest that a budget, once it has been approved by the head office, has to be fulfilled and is not questioned; at least not under ordinary circumstances. James S also explicitly states that this budget is tight, in the sense of leaving little scope for unplanned activities and expenditures (see 4.3.1). Accordingly, it can possibly be stated
that there is a tilt towards rigidity and complexity, when it concerns processes and systems which are not determined internally (see figure 5-4).

![Figure 5-4: Balancing Planning Trade-offs - External Processes](image)

Let us now turn the attention to the interviewees’ descriptions of decision-making, and discuss them in relation to suggested tensions and opposing elements.

### 5.3 Accounts on MCS and Decision-Making at Soft Tel

#### 5.3.1 Reflect a Rational and Systematic Process

Chapter 2 presented three tensions related to decision-making processes. The first captured the differences between a rational decision-making process and an intuitive one. It was further stressed that intuition is often mentioned in the context of entrepreneurship. It is even described as "the universal tool of entrepreneurship" by Johannisson (1992a, p. 116). A rational decision-making process, characterised by a systematic analysis of alternatives in order to find a best way in financial terms, is on the other hand often claimed to be in discord with entrepreneurial ideas and assumptions. Besides being systematic, a rational decision-making process was argued to be characterised by logical reasoning and a confidence in information. When making an intuitive decision on the other hand, conviction and feeling are important elements which determine the outcome of the decision-making process. An intuitive decision-making process can further be understood as less systematic.

In the case of Soft Tel, none of the actors mention intuition, or discuss in such terms, when describing their way of making decisions. What they describe
is a decision-making process which is based on information and analysis. This becomes particularly obvious when they explain that there has to be a "business case" for investing money in a new release or in a component, for example. In some cases, it may be easy to determine if there is a positive business case or not, for example when there is a customer that is willing to pay a certain amount for an application or a component. In other cases, for example when developing a major release, it is more complicated and may require more profound analyses, such as market research. Paul explains that he and his colleagues at Product Management in such cases may have to identify market needs and specify market requirements. They may also look into different technical solutions and evaluate them, before it can be determined if they can make money on a product or product component. However, and irrespective of the complexity of the evaluation, the interviewees’ descriptions and explanations reveal a faith in analyses and information when making decisions. As another indication of this is provided by Murray when he confirms that capital investment calculations are prepared before making any heavy capital investments. This was for example done before extending the office building.

Decision-making processes at Soft Tel can also – in many cases – be described as profound. As stated in chapter 2, such a process – characterised by careful and detailed considerations – was one element of the second decision-making tension in my framework. A profound process was further argued to maybe delaying important decisions, as well as decreasing commitment among those that come up with suggestions about new projects and investments. The opposing element found in the framework was a shallow analysis, which was suggested to be more in line with entrepreneurial ambitions. In the case of Soft Tel, there are some differences regarding described procedure, depending on the character of the decision. However, when it concerns large-scale investments and more complex decisions, some of the interviewees describe a process which involves extensive investigations and careful considerations. In my view, they describe in other words a profound decision-making process.

Statements on decision-making and the use of management control systems also hold elements which point at formalisation; an aspect which was captured in the third decision-making tension. Similar to planning, descriptions and explanations indicate that there are specified rules and procedures that for example determine in what forum a suggestion should be discussed, who has the authority to decide in a matter, and how to proceed when evaluating and analysing a suggestion, a new investment or a line of action. At the same time, there are statements that reflect a much more informal decision-making procedure. This is touched upon in next section.
5.3.2 Stress Simplicity and Quickness

It can be assumed that the kind of decision-making which is reflected in the actors’ descriptions would make decision-making slow and complex. It is characterised by a procedure which involves careful analysis and evaluation of the situation and alternatives courses of action and maybe profound calculations in order to determine a satisfying alternative. It can further be assumed that the actors would describe and perceive decision-making as long-drawn-out and troublesome processes. However, very few statements and accounts from the Soft Tel actors point in that direction. On the contrary, they describe themselves as being fast in decision-making. This is even something they bring up as one of their strengths. Paul for example says at my introductory interview:

“…we solve problems very fast. […] We move quickly.”

Paul, March 2004

During my second interview, he repeats this. However, this time he has particularly his department in mind. He says:

“…it feels like it works very well. The flow of information between us, and that we understand and quickly can come to a decision….”

Paul, June 2004

James S, as another example, indicates that they are fast when making decisions when he explains that they – in general – are very changeable and adjust easily to new circumstances. He adds though that this relates to matters that can be dealt with internally. When System has to be involved – and particularly if it is a question of getting more money – then the process becomes slower.

There are many possible explanations to this quickness. Paul himself gives two explanations; (1) the working processes and (2) the way of communicating. Regarding the working processes, he says:

“We have a good way of working. Not a lot of extra.”

Paul, March 2004

He returns to this later in the interview. Then he expresses it as follows:

“…we have found a neat balance there [in our processes]. […] There is a lot of orderliness, but [at the same time] not too much.”

He indicates that there is a kind of simplicity and minimalism in formal processes at Soft Tel, which was also touch upon in relation to planning. His idea is that when combining simplicity and formality neatly, predetermined
procedures facilitate the work and thereby make them fast in the way of acting and making decisions. Eve indicates the same when saying:

“We do not have any heavy processes. And I can tell you, if we had heavy processes then we could not be so flexible.”

Eve, June 2004

The other explanation behind described decision-making, which Paul brings up, is the way of communicating between managers and concerned employees. Regarding communication, he for example tells me that meetings are spontaneously and quickly organised and summoned to; something which the below quotation hints at:

“You can not solve problems by yourself. Directly when a problem comes up…then you have to gather the right people.”

Paul, June 2004

During the interviews, it is also stressed that the size of Soft Tel involves good opportunities for informal talks and corridor meetings. For example when Jeffrey talks about meetings at Software Development, he hints at this when simply stating:

“Besides, we work together and meet on a daily basis.”

Jeffrey, May 2004

Eve also describes a kind of informal communication when explaining:

“We work together as a team, so those management meetings… I talk to everybody in the management group almost every day, and send them mail and plan activities.”

Eve, June 2004

Simple processes together with quick and informal communication enable managers to make fast decisions. It can also be noted that the distinction between theory and practice in the context of planning, also includes decision-making. Paul for example explains that decisions, which theoretically and according to the model should be decided upon at a tollgate, often are decided upon before these tollgate-meetings. He says:

“But often you may have a tollgate-meeting, but a decision is already made. That is how it works.”

Paul, June 2004
A similar theoretical and principal model is mentioned also by Paul when describing how a business case is evaluated. He formulates it as follows:

“So theoretically we try do make a business case for… We have a model which says that we should have a business case for a market need… But often, in practice so…”

Paul, June 2004

He then continues by explaining that he – in practice – does not always follow the model and that it is not always necessary to make a lot of calculations. This may be the case when it is quite obvious that there is a business case, or when there is no other choice but to develop a certain component or application. Accordingly, there are statements that indicate that decisions are made without careful analysis, and before formal meetings have taken place.

5.3.3 Balancing Decision-Making Tensions at Soft Tel

Analysing statements regarding decision-making processes, I perceive a diversified picture. On one hand, a decision-making process is described which is characterised by a systematic analysis of information, and a careful evaluation and comparison between alternatives. The interviewees describe a rational decision-making process of the kind that is presented in the left column of figure 5-5. In descriptions, we can also see reflections of profoundness and formality.

```
Rational ↔ S ↔ Intuitive
Profound ↔ S ↔ Shallow
Formal ↔ S ↔ Informal
```

Figure 5-5: Original Decision-Making Tensions and Soft Tel's Position

On the other hand, those managers that I have talked to stress that decision-making often is fast and simple at Soft Tel. Actually, they even seem to see this as one of Soft Tel’s major strengths, in comparison to competitors and other actors on the market. Still, they have the rational model of decision-making as the overall model in mind, at least when it comes to long-term investments. As
with planning, statements reflect a moderate attitude towards such 'theoretical models', and an awareness that such models can not always be followed – in practice. Statements also reveal that the mere size of Soft Tel makes it possible to keep the decision-making procedure simple and quick. As stressed by the interviewees, they meet on a daily basis and they can easily summon concerned people to a spontaneous meeting. One interpretation of this diversity with respect to the character of the decision-making process is that Soft Tel can be positioned close to the middle, on a continuum between the original opposing elements. This is illustrated in figure 5-5. However, the “S” – being put slightly towards the left-hand side – indicates that statements reflecting the left elements are dominating, even if not so significantly as with planning.

If comparing decision-making with planning, original tensions – found in the framework – work better when analysing expressed ideas and practices related to decision-making. Despite that, some slight changes and specifications – mainly in the right column – may be relevant to make, in order to illustrate the managers’ own way of reasoning. The following three tensions illustrate the use of management control systems in decision-making and related balancing challenges according to the managers descriptions (see figure 5-6).

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**Figure 5-6: New Decision-Making Tensions and Soft Tel’s Position**

Different from the use of management control systems in planning processes, my interpretation is that these decision-making tensions can not be understood as trade-offs. When listening to the Soft Tel actors, it is not a question of choosing between either or, or of finding a well-balanced proportion of each opposing element. Rather, it is a question of having much of both elements. In other words, there are parallel processes and activities, which are fundamentally different but at the same time are complementary and strengthen each other. It can therefore be argued that the above tensions have more the character of a duality. This explains why I have positioned Soft Tel – “S” – on both sides of each continuum above.
This kind of balance can not be likened to a seesaw. Instead, it can be illustrated as within figure 5-7.

![Figure 5-7: Balancing Decision-Making Dualities at Soft Tel](image)

The challenge can be understood in terms of developing or keeping satisfying levels of both sides and of both opposing elements. In the case of Soft Tel, the actors – at present – express a contentment regarding its processes and practices. They reveal a concern for the future and how to remain spontaneous and fast. The smallness of Soft Tel has so far facilitated such qualifications. A challenge then is to keep the right box – in figure 5-7 – on a satisfying level and to avoid that it loses its position; a scenario which is illustrated by the grey box.

### 5.4 Accounts on MCS and Organisational Control at Soft Tel

#### 5.4.1 Reflect Formalised Principles of Delegation

In chapter 2, I presented a tension which represents two fundamentally different principles for delegating responsibility. One formalised solution which is based on the creation of independent responsibility centres. There I also suggested that such a solution – to create independent responsibility centres – may lead to segmentation and a narrow outlook, which in turn may have negative consequences for entrepreneurship (see 2.3.4). The other solution was a more informal one, based on shared management and trust. This alternative has been brought forward by e.g. Jelinek and Litterer (1995; see also Lövstål, 2001) as a solution which may characterise entrepreneurial organisations.
When having the spotlight on management control systems, it can be argued that Soft Tel is characterised by a formalised delegation of responsibility. The actors describe an organisation with quite far-reaching budget and financial responsibility. As described, all six departments have been assigned financial responsibility in terms of expenses. They can in other words be classified as 'expense centres'. It means that responsibility has been delegated to managers within these departments. They are responsible for performing determined activities in a defined expense budget. The same relates to all sections within Software Department. As described in section 4.2.4, there are seven sub-units – called sections – within Software Development. Being responsible for their respective costs, they can be labelled 'expense centres' as well. Even if not having budget responsibility, it can be argued that decision-making and responsibility have been delegated even further down the hierarchy. James S – for example – indicates this when describing the 'culture of commitment'. He then says:

“…instead of telling people what they should do…Instead we give people responsibility for a package.”

James S, May 2004

Eve, having her department in mind, describes her practice with respect to responsibility in a similar way. She says:

“…you get a task and a job package that you are responsible for.

Eve, June 2004

Paul, on his part, explains that his subordinates have two packages of responsibilities, even if not expressing it exactly so. He explains that they are organised in two dimensions. Each person is being responsible for a specific release. Besides that, the people at Paul’s department are also responsible for a theoretical domain. It means that they should be something of an expert in e.g. Bluetooth, 3G or videotaping.

The above quotations indicate that responsibility is something that is delegated, that is "given" and that the subordinates "get". This is also the picture I get when listening more generally to the interviewees' descriptions on how they share responsibility. It can also be noted that responsibility is followed by some obligations with respect to reporting. Being responsible for a department, area or package means that they – in a weekly mail – have to account for what they have done and achieved during the week. This will be discussed more thoroughly in a later section dealing with accountability (see section 5.4.3). However, we can conclude that decentralisation – in the sense of pushing responsibility and decision-making to lower levels – is associated with clear rules and procedures with respect to e.g. reporting. It means that even if Soft Tel can
be described as highly decentralised, it can at the same time be described as highly and tightly controlled (cf. Hatch, 1997, p. 170, on bureaucracy).

5.4.2 Indicate both Separation and Integration

Focusing on management control systems, a structure that fosters functional separation and segmentation appears; a structure which is sometimes argued to be detrimental to entrepreneurship. This became apparent in previous section, describing the creation of separate units with quite far-reaching responsibilities.

There are however some parts of the management control system that cut across departments and sections, and thereby reinforce integration among departments and groups. As explained in chapter 4, at Soft Tel there is something which is called the program plan; a tool which also was discussed in relation to planning. It is a plan for human resources, irrespective of departmental belonging. It specifies when a project – a new release – is going to be developed. It also states what kind of human resources will be needed, and when these resources will be needed during the project. The program plan is something that concerns not only James N, who is responsible for preparing it. It also concerns Paul, who is responsible for Product Management. He has to know what resources are available for new projects, and when they are available. The program plan also concerns Jeffrey – head of Software Development – and some of his section managers. They are the ones that should select people to work in different projects. It can be assumed that how they plan and organise work is highly affected by the program plan. Accordingly, and since the program plan concerns many parties, it can be claimed that it supports interaction and communication between departments and groups.

The interviews reveal that the program plan is a very important management tool. This is particularly emphasised by Paul, when he explains (cf. 4.5.1):

> So, how we use resources in our projects is the most important management issue within the whole company. Not how much money each department spends."

Paul, June 2004

In this context he adds that this kind of resource planning is done with the help of the program plan. If also considering that one of Soft Tel’s overall goals is to deliver in time – which was discussed in section 4.6.2 – the program plan turns out to be even more important. Paul also point at this, and stresses that it is used for time management and as an instrument for achieving this goal (see further 4.5.1). It can therefore be assumed that the program plan is something that concerns the whole company, and the management team as a whole.
As described in chapter 4, there is also a project budget and control system at Soft Tel. For each project, a budget is prepared which specifies budgeted expenses. These are then followed up each month, according to James N. Having the project as a measuring object, this can also be seen as a system which cuts across departments and functions. However, it is still a system which primarily concerns James N and responsible project managers. Few – if any – statements or answers indicate that project budgets or project reports engage actors outside the section of Project Management. The budgets do not seem to cause much discussion either; at least not as long as the budget is kept. Even if different groups are not united around the project budget or around projects reports specifically, people are united around projects. When I for example ask Eve what causes discussions on management meetings, she answers:

“We talk a lot about our projects. How it is going, about resources, if we can get more money for resources, if we should make a deal with our customer and if we can create resources in this way.”

Eve, June 2004

Focusing around projects, it can be assumed that the project budget and control system is very important. However, it causes little discussion and involvement from ‘external’ parties. One interpretation of this is that the formal systems are not seen as instruments for discussion. These systems are rather seen as an instrument which provides pre-conditions for action, and which they have to adhere to.

Still, the organising in projects can be seen as a counteractive force to the segmentation and the functional focus that I previously described. Furthermore and when talking to the Soft Tel actors, I realise that there are many formal work meetings, which are planned in advance and some of them regularly held. They talk for example about tollgate-meetings, SAG-meetings, CPD-meetings, and project management meetings.

Besides mentioned systems which cut across units, the interviewees describe a number of different forums and meetings where people from several departments and units meet and discuss different issues. Statements also point at the existence of informal communication patterns, which was touched upon in a section on decision-making (see 5.3.2). Both these can be argued to support integration and cooperation between different groups.

5.4.3 Reflect Accountability

Accountability is often closely linked to management control. As clarified in chapter 2, accountability refers to the obligation to account for and justify one’s action to the person one is answerable to. It is sometimes contrasted to trust and
commitment. It is suggested that if there is trust in the relationship and if the subordinate is committed towards her tasks, then accountability becomes unnecessary. As explained, trust and commitment is often discussed in the context of entrepreneurship, when employees are expected to take own initiatives and to pursue new opportunities. Accountability, on the other hand, is related to a management principle which emphasises the need to more formally control employees; a principle which Preston calls ‘control over’ (1991).

Regarding the management control at Soft Tel, it holds a portion of accountability. The following statement from Eve points at this. When explaining that managers at Soft Tel try to make all their employees responsible for a package, she says:

“…you get a task and a job package that you are responsible for. But you have to report it and you have to get it scrutinised. But it is you – yourself – who operates it.”

Eve, June 2004

Here, she explicitly stresses that being responsible for an area involves an obligation to report one’s actions and status. She also stresses that this procedure involves an involvement from a superior, in the form of an inspection. James S discusses in similar terms even if not explicitly mentioning the reporting procedure. He says:

“…we make people responsible for a package. […] And we have to make demands that they fulfil their commitments, so to speak.”

James S, May 2005

When the actors describe how subordinates report to their respective superior and what the superiors require from them, they describe a procedure and an obligation that can be understood as accountability. Eve, for example, explains that her team-members – as she prefers to call her subordinates – have to send her a weekly mail. In this mail her team-members should make a brief report on what they have done during the week and what their plans are for the following week. As mentioned in section 4.6.2, a similar procedure is used by Paul and Jeffrey. Jeffrey describes this procedure when he explains what it means to be a manager of one of his sections. He then describes it as follows:
Analysing the Use of Management Control Systems at Soft Tel

“What you do as a manager for a section […], you report it… You really report it in an e-mail to me each week. What you have done this week, what you had plans to do, and what you are going to do next week. […] Then I check this up, and talk with them and ask questions based on it [the e-mail account].”

Jeffrey, May 2004

James N, on his part, explains that he receives a similar mail from appointed project managers, in which they account for their individual projects. James N, himself, sends a project account each week to Jeffrey, as well as to a project management group.

Besides this weekly mail correspondence, which seems to be practiced throughout the organisation, the interviewees also describe other forums where actions and outcomes are accounted for. During the management meetings – as one example – all the departmental managers often have a couple of minutes for giving an account of the situation and status of their departments and areas of responsibilities. When James S explains how they use management meetings, he says among other things:

“We use it [the meeting] as a way to spread information. So we report… I inform them about what is going on, and then we go round the table and report from… [all the departments].”

James S, May 2004

Eve describes this reporting to the management group from her perspective, when saying:

“My status report is what marketing activities we have done and what did go well, what did not go well, and so forth.”

Eve, June 2004

These oral reports can be interpreted as a way of accounting for one’s action. They may also explain and justify performed activities, and outcomes. However, this oral reporting may also be understood as a way of spreading information, as indicated by James S in the above quotation.

There is still another situation which can be described as a situation of accountability. This situation occurs at the end of a period when James S meets with his subordinating managers – individually – for determining their bonuses. It means that a number of points within their individual performance matrices is decided upon, which in its turn determines each manager’s bonus level. During these meetings, we can assume that managers have to account for what they have done during the period and maybe also give reasons for not reaching a pre-set target.
It can also be noted that no one talks about trust when describing reporting and control systems. This is not to say that no trust exists in the relations between managers on different levels and in different areas. Most likely, it does. But it is at least nothing that the interviewees touch upon in this context.

5.4.4 Point at Participation

Even if participation is not included in the framework, I have still chosen to touch upon this aspect. Accountability – and the practice that was described in previous section – may give a picture of a clear authority structure between superiors and subordinates. There are some statements from the interviewees that may give a more balanced picture; statements that point at extensive participation. This relates to particularly the subordinates' participation in the process of setting goals for their areas of responsibility. Murray for example describes how he proceeds when he is about to set up a performance matrix for his department and for the next period. Then he sits down with James S and they together discuss suitable goals for Murray and his department. Here, they start by considering the overall company goals. Listening to Eve, it even seems like she is the one who makes suggestions with respect to her goals. When I ask her what kind of targets her personal goals may be she answers:

“It can be anything. I make some suggestions […]. And once again, they have to be SMARTA.”

Eve, June 2004

Eve further describes how she sets goals for her department; goals that may also become her personal goals after discussions with and after having received an approval from James S. This description emphasises participation as well. She clarifies that she always sets up departmental goals together with her team. She describes how they – every sixth month – sit down together in order to determine future goals for the department. At this occasion, they also go through the goals for the previous period and check if they managed to fulfil them. She adds that they also see this occasion as an opportunity to "have a nice time" together.

James S also hints at extensive participation, when describing the culture of commitment. He then explains:

“…it may be one single person, or even a rather big team, who gets responsibility for an area. They should then – themselves – decide what needs to be done and what time it will take. And then they are responsible for managing it.”

James S, May 2004
A possible interpretation is that management control at Soft Tel is characterised by an accountability that reflects a hierarchical authority structure. At the same time, it is characterised by participation. Those that are made accountable participate in the decision on what they should be accountable for.

### 5.4.5 Signal Rigidity

Organisational control was discussed in terms of rigidity and flexibility in section 2.3.4. There I also clarified that rigidity referred to a strict attitude towards goal fulfilment, and a low tolerance for deviations from plans and set targets. In this sense, this aspect has similarities with one attribute which Van der Stede (2001) brings up in relation to tight budgetary control.

In the case of Soft Tel, the actors’ descriptions and explanations primarily point at a rigid use of management control systems. First, it can be noted that such a use is based on similar assumptions as the rational planning view. It means that some of the statements that were brought up in section 5.2 also can be mentioned here. I there suggested that some of the actors signalled the idea that plans should be held and targets should be reached. When looking at how the budgets and the performance matrix are used, this idea is reinforced. A main reason for internally distributing accounting reports to departmental managers is to keep track of the budget; to see that it is not overdrawn. Eve points at this, when explaining why she does not pay much attention to the monthly report. She says (see also section 4.4.3):

> “I feel - since I do not think I have exceeded the budget and that there are no problems - that I have other things to do…”

Eve, June 2004

As mentioned in section 4.4.3, Paul expresses a similar use of monthly reports when declaring that he simply checks that he has not exceeded the budget. “It takes me two minutes”, he clarifies.

A kind of rigidity is also reflected in Murray’s description of his role in the budgetary control process. He explains that he makes a comparison between budgeted figures and the actual outcome. He looks for deviations. He also makes a “quick analysis” (see section 4.4.2), in which he tries to find explanations for a deviation. He further clarifies that he may have a talk with the concerned manager, if the deviation is large. A deviation is not left unnoticed, at least not when the budget is exceeded. Paul, for example, points at this when saying:
“And if I am in a bad position [compared to budget], then I have to state reasons for it.”

Paul, June 2004

The actors’ statements also reveal that a deviation may lead to corrective actions. James N, for example, explains:

“Have I asked for too little money for travelling in the projects, then I am held accountable for that and have to save and scrape.”

James N, October 2004

Hereby, he indicates that if he spends too much during one period, he has to compensate for it in the next period.

Rigidity is also reflected in the interviewees’ descriptions on the performance matrix and related reward system. It was suggested in chapter 2 that entrepreneurship requires some flexibility and creativity, regarding who and what should be rewarded and what should be seen as a good performance. In the case of Soft Tel, a bonus system is described which comprises some of the managers. This bonus system can be understood as quite formal in its design, and quite strict in its use. As described in 4.6.3, it is a bonus system that is linked to the performance matrix. Points are calculated according to a goal fulfilment model, which constitutes the base for determining bonus level. Stated targets within the performance matrix are described as both personal and departmental. Many departmental goals are made into personal goals for concerned managers.

Another reward system is also mentioned in the interviewees; a system which also in some sense is formal. It is however quite different from the bonus system if considering what and who is rewarded in the system. This reward system is linked to a computerised system for product-related proposals. Paul, who describes it, explains that all his employees have and use ST-based products. It means that they all have opinions regarding the product and maybe also suggestions on how to improve it. This computerised system has been implemented in order to take advantage of this fact, and to pick up good ideas among Soft Tel’s employees. He also tells me that the management once in a while reward exceptional good ideas that have entered the system. This reward system includes everybody, since all employees can send proposals to it. It is further based on the idea that those that think and act may have a chance to be rewarded. The reward is in these cases an amount of money. This proposal and reward system is in these respects a more flexible system, and one which emphasises problem solving, innovativeness and action. The interviewees – particularly Eve – also indicate that some immaterial rewards exist, a kind of appreciation in the form of a pat on the shoulders or similar. These kinds of rewards can also be argued to be more flexible in nature.
5.4.6 Point at a Diagnostic Use

In chapter 2, I presented two different uses of management control systems for organisational control. These uses were labelled diagnostic and interactive use, according to the framework of Simons (e.g. 1995). An interactive use was characterised by heavy involvement from superiors and management, by e.g. a continuous dialogue around information and outcomes. In this sense, organisational control can be described as tight. As explained in section 2.3.4, a diagnostic use is on the other hand based on the idea of limited management involvement, and an extensive autonomy and freedom for subordinates, however, only as long as outcomes are in accordance with preset goals.

All those that have budget responsibility indicate that they are left to themselves in the management of their respective department, at least as long as they keep the budget. There is little involvement from superiors or from other managers or colleagues. James N, as one example, indicates that he has a lot of freedom and autonomy as long as he fulfils his commitments and does not overdraw his budget. When we at one occasion touch upon his authorities, he says:

“As long as I can do it [make changes in the program plan] within my budget limits, and deliver what I have promised. Then it is okay. […] But if I am unable to that, then I have to go one step upwards.”

James N, October 2004

It also becomes clear that accounting reports and monthly results are hardly discussed, neither between superior and subordinate nor within the management team. Managers receive a monthly report from Murray, give it a quick glance and then put it in the drawer. Eve expresses it as follows:

“…an e-mail arrives, which says: “Now is the monthly outcome here.” And then we don’t talk about it.”

Eve, June 2004

However, reactions to deviations occur mainly when there is a negative deviation; negative in the sense of exceeding the budget. If managers do not manage to fulfil the budget, in the meaning of spending all money, there is little reaction. This is however handled within the performance matrix, described in section 4.6.2. Here, the performance is not only measured based on budget fulfilment; if departments are below the budget or not. It also regards the fulfilment of other commitments and obligations that have been planned for. But even if the performance matrix has a somewhat different perspective than the budgeting control model, it is primarily based on a similar feedback model.
Targets are set for each department and performance is evaluated and rewarded in comparison with these targets. The interviewees also reveal that they ask for weekly reports from subordinates, so they know if they are “on track” or not. It can be assumed that these weekly reports also may lead to corrective actions, even if the interviewees do not explicitly say so.

Descriptions on the use of management control systems reflect a diagnostic use. Their program plan and project budgets are somewhat differently used, maybe particularly with respect to the program plan. It is a tool which not only concerns James N, who is responsible for it, but also Paul and Jeffrey. It is also a tool which is perceived as important in the daily work, and that it in some sense governs their activities. Paul, for example, explains that the program plan is very important for keeping track of the timetable and available man-hours (see section 4.5.1). There are also some statements that indicate that the program plan is discussed more and also causes more management involvement, than for example the departmental budgets and the monthly reports. An answer from Eve may point at this; an answer to my question on what causes discussion on the management meetings. She then says:

“We talk a lot about …the projects. How it is going, about resources, if we can get more money to needed resources, if we can make a deal with our customer, if we can create resources by doing so.”

Eve, June 2004

However, and according to my interpretation, these discussions take place primarily when there is a problem to be solved and when – for example – a project is severely delayed. This is also indicated by Murray when he answers my question if project reports are discussed on the management meetings. He then says:

“No. Not if there aren’t any problems.”

Murray, November 2004

No statements indicate that the program plan – or project reports – is more proactively used for finding new opportunities, for stimulating dialogue or for creating organisational learning. Even if the program plan may be discussed more, it does not seem to be used interactively according to Simons’ framework.

5.4.7 Balancing Organisational Control Tensions at Soft Tel

The tensions in figure 5-8 were presented in chapter 2 regarding organisational control.
In the case of Soft Tel, the use of management control system reflects a conventional model of organisational control, in several respects. As discussed in section 5.4.1, Soft Tel can be described as decentralised – in a formal sense – and with a wide-spread delegation of responsibility. This has been followed by an organisational control that is characterised by a diagnostic use and by accountability. The principles of – what may be called – output control (see e.g. Ouchi, 1978) or results accountability (e.g. Emmanuel, Otley and Merchant, 1990/1996) corresponds with the practice at Soft Tel. There are few signs of – or statements that point in the direction of – an interactive use, as well as of an informal way of delegating responsibility. Statements point though at an attempt to involve subordinates in the control processes, by letting subordinates participate in e.g. goal setting activities.

If trying to position Soft Tel somewhere between suggested elements, it can be done as in figure 5-8. There are very few statements which reflect principles related to informal sharing and an interactive use of management control systems within the organisational control processes. Even if the interviewees at some point – mention notions such as commitment and dialogue, they do not really express such ideas which informal sharing and interactive use are based upon. This explains why I position Soft Tel very closely to the left end of these two lines. However, since one opposing element is almost lacking in their reasoning, we can hardly talk about a balance between suggested elements. As done in relation to planning, it can be argued these two tensions do not capture those balancing challenges that the managers themselves point at and discuss. A similar reasoning can be applied on the second and third tension above. Considering these two, I can trace some of the right elements within descriptions of management control systems, even if the left elements dominate also here. At Soft Tel, there are a couple of control systems which foster integration, and which show more flexibility than e.g. the bonus system. Besides
there is a moderate attitude towards set plans and goals, even if the overall idea is that subordinates should fulfil them. Such expressions can be argued to be a reflection of flexibility, as well. Regarding the second and third tension, both opposing elements appear in the interviewees’ statements. Still, these two tensions do not really reflect their main challenge with respect to organisational control either. A tension which I perceive as one, which is more close to Soft Tel actors’ way of reasoning, is:

Talking to James S, for example, he explains that they have come to a point when they – throughout the company – have to delegate responsibility. Due to the company’s growth and ambition to grow in number of employees, he explains that they have to decentralise the organisation. It is impossible for a handful of people – on the top – to keep the control and the responsibility over the whole organisation. This is also the reason for making a change in the organisational structure; a change which was done just before my empirical study. This change involved a division in more and smaller units, each with more responsibility. Considering this, a tension between top control and decentralisation is something that is worked on. The same can be said about participation. How can employees be more involved in discussions and decisions without losing efficiency and determination?

According to my interpretation, this tension has the character of a trade-off, similar to planning tensions. The challenge is to find a suitable position in a continuum between those opposite poles. Therefore, the balance can be likened to a seesaw as well. A position towards either the left or right will make the seesaw tip over, as illustrated in figure 5-9.

![Figure 5-9: Balancing an Organisational Control Trade-off at Soft Tel](image-url)
In the case of Soft Tel, they actors are quite content with their solutions and processes with respect to organisational control, at least when it concerns ideas and ambitions. In some of its newly developed departments, they have not yet managed to implement all these ideas though. Paul, for example, explains that he has not yet developed structures and processes which enable a delegation of responsibility among his subordinates. Jeffrey expresses also an ambition to develop his processes with the aim of delegating responsibility. It appears that there still is a tilt towards top control in some of the departments, at least when in concerns the present practices. It is also illustrated by the “S” in the previously portrayed continuum.

5.5  Summary of Management Control Tensions at Soft Tel

The framework presented in chapter 2 was developed based on mainly entrepreneurship literature. It holds dimensions and elements that have been discussed by entrepreneurship researchers, and that have been brought forward as central issues when dealing with entrepreneurship in a corporate context. The framework includes processes and dimensions that are presented as management challenges for organisations that are either characterised by entrepreneurship or that want to impede its entrepreneurial activities.

Concerning Soft Tel, many right-hand elements are quite absent when the actors describe the ideas and practices related to the use of management control systems. This is reflected when position Soft Tel between the original opposing elements. Regarding that Soft Tel was identified as an entrepreneurial organisation, these findings may be surprising and unexpected. It can possibly be argued that the use of complementary systems and tools represent a balance between suggested opposing elements. There is a portfolio of formal systems and tools at Soft Tel that as a whole represents both elements of some of the presented tensions. However, when listening to how the managers describe ideas, principles and ambitions related to the use of management control systems, there are rather few statements that reflect elements on the right side. There are however some differences between investigated management control processes. Original tensions are more applicable – even if I suggest some minor changes – when interpreting and analysing the use of management control systems in relation to decision-making. There are also some differences among tensions. For example, the second and third tension related to organisational control (expressed as separation/ integration and rigid/ flexible) turned out to be somewhat more close to the actors’ way of reasoning than the other two organisational control tensions.
Since some of the original opposing elements do not really reflect managerial challenges at Soft Tel, I suggest a number of new elements. In relation to planning, for example, I argue that the actors’ statements do not point at a balance between formal and informal ways of planning. Rather, the challenge is to find a proper balance between complex formalised procedures and simple formalised procedures. In total, I present six tensions which are empirically derived. I claim that these tensions work better than some of the original ones when trying to understand balancing challenges within Soft Tel. A general reflection concerning these tensions is that; included elements do not lie so far apart as the original ones. Another way of expressing it is that those management principles that are expressed on the right side above do not reach as far as within my original framework. Participation – for example – is made distinct from shared management in Jelinek and Litterer’s article (1995). Shared management which reflects an informal way of delegating responsibility – as the one I have included in my framework – is argued by Jelinek and Litterer to go beyond mere participation. Another reflection which can be made is that proposed decision-making tensions are closer to the original ones, than those related to planning and organisational control.

As previous discussion reveals, we can trace a balance between opposing elements in managers’ use of management control systems, even if not between the original ones. Also, observed tensions are somewhat different in character, when comparing them. In chapter 2, I brought up and elaborated on different types of tensions, such as trade-offs, dilemmas, and dualities. If applying these ideas on proposed tensions, it appears as if those that are related to planning and organisational control have the character of a trade-off. The challenge lies in finding a suitable position in a continuum between two opposite poles. A trade-off further reflects an either-or situation. Should we have more of complexity, or of simplicity? Decision-making tensions can – on the other hand – be understood in terms of a duality. Here, opposing elements are complementary, and can exist side by side. The challenge in this case is to remain on a satisfactory level of both poles, and to create processes in which contradictory – and complementary – elements are captured.
Table 5-1: Summary of Management Control Tensions at Soft Tel

<table>
<thead>
<tr>
<th>Process</th>
<th>Elements</th>
<th>Character</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Rigidity in planning</td>
<td>Trade-off</td>
</tr>
<tr>
<td></td>
<td>Flexibility in planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complex procedures</td>
<td>Trade-off</td>
</tr>
<tr>
<td></td>
<td>Simple procedures</td>
<td></td>
</tr>
<tr>
<td>Decision-making</td>
<td>Rational analysis</td>
<td>Duality</td>
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<tr>
<td></td>
<td>Agreement</td>
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<tr>
<td></td>
<td>Profound</td>
<td>Duality</td>
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<tr>
<td></td>
<td>Fast and simple</td>
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<tr>
<td></td>
<td>Spontaneous talks and meetings</td>
<td>Duality</td>
</tr>
<tr>
<td>Organisational control</td>
<td>Top control</td>
<td>Trade-off</td>
</tr>
<tr>
<td></td>
<td>Decentralisation and participation</td>
<td></td>
</tr>
</tbody>
</table>

Accordingly, the findings from the Soft Tel case can be summarised as in table 5-1. These results will later be compared with findings from Family Tech; the second case in the study.
6 Describing Family Tech and Its Management Control System

6.1 Introduction

The aim of this chapter is to describe the characteristics and use of management control systems within Family Tech. The chapter follows a similar structure as the one that concerned Soft Tel. I start with a general presentation of Family Tech. This section is followed by one that describes its management control system. This description is structured around a number of themes, each reflecting a possible part of a management control system. With a few exceptions, these themes are the same as within the case of Soft Tel.

I have used both statements from Family Tech members as well as written material when constructing the presentation of Family Tech and the description of its management control system. Altogether, there are primarily three persons who have contributed to these sections.

(1) Lasse, managing director
(2) John, the founder and main owner, and
(3) Sara, assistant accountant.

A late interview with Bo – production manager – has been used to a minor extent when constructing the presentation.

6.2 Presenting Family Tech

6.2.1 The Start-up and Growth of Family Tech

Family Tech was founded in 1993 by John (Web site, September 2005). Lasse tells me the story of the start-up. John started his business in a garage in a small town in Southern Sweden where the company still is located. John’s idea was to offer contract jobs with the use of a quite newly developed technology. The technology could be used for working processes with all kinds of material. John – having some knowledge and experience of the technology – starts to construct
a machine, which he intends to use for working with details on a contract basis. John constructs a technical advanced machine, with an exceptional high-performance construction; a technical solution that has later been patented world-wide. Being impressed by the machines’ performance, a customer expresses a wish to buy the machine. John sells it and thereby also changes the direction of his business.

In 1995, the business starts to take off. In this year, an assembly hall is built and a first sales person is hired. It has then continued to grow both with respect to its building and crew. At the end of the 90s, the owners and the managers start to realise that the production area soon would become too small. Family Tech’s systems, or machines, are very heavy and large units. Consequently, each system requires enormous space during the production process. They decided to extend the building and in February 2001 it was finished. After this extension, it is possible to manufacture 8-12 systems simultaneously, depending on the size of the systems. As I understand it, the expansion was large, and involved heavy investments. When doing the investments, they thought that the building was large enough for many years of expansion. However, when I do my interviews in spring 2004, they are close to outgrowing the building once again. At this point in time, the company had reached a level of 35 employees and 90 millions in turnover (Annual Report). When I return to the company in December 2005, to make another interview with Lasse, he tells me that they have decided to enlarge the building once again. They are also about to recruit more employees, since the demand for Family Tech’s machines is high and seems to be increasing.

In September 2000, six months before they moved into the new building, Lasse is recruited as a sales person, and the person responsible for the Scandinavian market. Only a month later, he gets the position as assistant managing director. Approximately a year later, Lasse becomes managing director, taking over this position from John. He has then worked close to John for a while, also having him as a mentor. John, who has been managing the company from the start, can now concentrate on research, which is his special concern.

6.2.2 The Family Tech Offer

In a brochure produced at the time of my study, you can read (2004):

“We manufacture many different […] systems, with equipment according to the customers’ production and quality requirements.”

Family Tech manufactures machines, or complete systems that are used for working with details in different materials, from metal to dough. According to
Lasse, the machines can be used for everything; for all kinds of material. He says:

“There are almost no limitations.”

Lasse, April 2004

The systems are based on a technology, which at the time of the start-up was not widely spread. According to Family Tech’s web site, there are many advantages with the technology, compared to other ones. It is for example mentioned that it does not destroy the material and causes no defects on the details that are processed. It is also argued that it is more environmental friendly in comparison with some more conventional working processes. Not only do Lasse and John suggest that the technology in itself is a competitive advantage, they also argue that the machines are of extremely high quality. Lasse likens the machine to a Mercedes. When describing Family Tech’s competitors, he says:

“Now we are talking about the higher level. It is as with cars. A Mercedes. We are four actors that compete [on this level].”

Lasse, April 2004

Besides being of high quality, the systems are according to Lasse and John also technically advanced. When I for example ask John about the systems and what makes them special, he answers:

“We have dared to do… It is about doing a little bit extra […]. To develop our machines one step further. To include little more substance.”

John, May 2004

Here, he also explains that they try to incorporate novelties in the machines early, and before the competitors detect the opportunity. The machines are also built upon several technical solutions that have been – or could have been – patented world-wide. John explains that it is not always worth the effort to apply for a patent, even if it would be possible to do so.

Family Tech members position the company in the upper class, offering machines with high quality and high technical standard. John mentions though that they recently have developed a low-price machine – a basic standard model – which is now delivered to the market. The company has thereby entered a new segment, John clarifies; a low-price segment. When talking to Bo, in December 2005, he reveals that this standard model has been a successful investment. The company has sold quite many, and earns money from it.

Regarding the product, the interviewees explain that there is an assortment of standard machines, in different sizes and for different applications. However,
and as an above statement indicates, adjustments are made according to customers’ requirements and needs. It is quite easily done since the machines are composed of standard modules, which can be combined in various ways. They also develop and manufacture more customer specific system solutions. According to John, the ambition to engage in more advanced projects aims at retaining Family Tech’s technical lead and to show the market what they are able to do. At one occasion, he expresses it as follows:

“If you have managed to do that [to develop a new system solution], you are on a high technical level. And then you receive new orders too, since they [potential customers] can see that you have managed to do it.”

John, May 2004

Lasse stresses several times that Family Tech’s advanced product is not the only reason for making business with them. According to Lasse, they also offer a long-term relationship that is based on trust. He even likens customer relationships with a marriage, when we discuss the issue. Also Sara mentions the metaphor. She says:

“Our customers buy a whole concept from us. And we offer them support almost twenty-four ours a day.”

Sara, May 2004

And then she adds with a smile:

“A kind of marriage, as Lasse would say.”

6.2.3 A Global and Diversified Market

Family Tech’s market can be described in terms of segments, industries or types of customer groups, and geographical markets. Regarding segments, it has already been touched upon. Even if Family Tech recently has launched a low-price model, the company is primarily positioned in the upper class by Lasse and John. In this segment, there are – according to Lasse – a handful of actors that compete. Considering Family Tech’s customer groups then, they represent various industries and types of businesses. The technology that Family Tech’s systems are based on involves great opportunities since it can be used for many different materials and applications. The same relates to Family Tech’s machines and systems, specifically. It means that the potential market is quite diversified and extensive. Accordingly, you find the machines and systems in numerous types of businesses and industries. And they are always looking for
Describing Family Tech and Its Management Control System

new niches and fields of applications, according to John and Lasse. In this way they try to extend the market.

Finally, regarding geographical markets, the owners decided early to enter the world market, and in 1997 a first deal in a country outside Scandinavia was closed. It was Germany, which still is an important geographical market even if its importance has declined in the last years due to a recession in the country. The expansion in the world market has then continued. When I ask Lasse about the markets, and where Family Tech does business today, he says:

“We are in Russia, China, Australia. […] And yes, we have entered Mexico. And we have sold machines in the United States. We are in Romania. […]. The whole Europe, the Baltic States… In principle, all countries in the Eastern Europe…”

Lasse, April 2004

Accordingly, the company is doing businesses in quite many countries. And when looking at the world map in Lasse’s office, there are needles everywhere; each needle symbolising an entered market. The only continent where it is not represented is South America, Lasse explains in an interview conducted in April 2004. However, a month later when I make a second interview with Lasse, he mentions that the company has now also entered Chile. This was nothing that was planned for. "It just happened", as Lasse expresses it. He explains that he got in contact with an agent in Spain who also was established in Chile.

When I ask Lasse about special and important events in Family Tech’s history, he particularly mentions the decision to start to act in Eastern Europe; a decision which was made in 2002. About this, Lasse says:

“It turned out to be a very good investment.”

Lasse, April 2004

To enter a market does not only mean to close a deal, and to sell a single machine. It means to establish a contact with a local representative who can continue the expansion in the country in question. Normally, business abroad is done in this manner, with the help of local agents. Germany is an exception though. Here Family Tech has a fully owned subsidiary, which promotes and sells its systems.

6.2.4 The Family Tech Organisation

One way of describing Family Tech, that gives some ideas on how the company is organised and managed, is to define it as a family business. It can be described as a family business in several respects. First of all, the company is mainly owned by John and his family. Lasse, and the managing director of the German
subsidiary, each owns a minor part of the joint stock. The rest is family-owned.

Second, even if they have had an external managing director for a couple of years, John and his sons are heavily involved in the business and its management. John is – as previously mentioned – responsible for research and development. He is also the chairman of the board. John – together with Lasse – can further be described as the company’s top management, even if not formally being appointed as this. They work very close. They discuss important matters, they draw up lines for the future, and they make decisions about new development projects.

John’s sons are involved in the business as well. Tomas – for example – works with assignments related to research and development, as his father. He is also a deputy member of the board (Affärsdata, January 2005). A second son is running a neighbouring company Family Tech Lego, which supports the business of Family Tech. He is therefore – even if somewhat indirect – also included in and committed to the business.

A third way of picturing Family Tech as a family business is to address the atmosphere. When I ask Lasse about the organisation, and what characterises it, he says:

“We have a very familiar atmosphere.”

Lasse, April 2004

He then continues and explains how the familiar atmosphere manifests itself. He and John try hard to make everyone happy and at home. In this context he mentions the low staff turnover and limited absence, and interprets it as an indication of the employees’ comfort and well-being. They also try to keep doors open. There should be no thick walls, as Lasse puts it; neither between different department nor between him and his employees. Also Sara touches upon the familiarity of the business. When describing Family Tech, she says:

“It is a company which is quite familiar, and open.”

Sara, May 2004

Interesting is that the familiarity is not exclusively related to the internal organisation. Relationships with agents and customers have also a touch of informality and friendship, according to Lasse. Regarding agents he says:

“You have to feel… If we are visiting our representative in Australia, we should have the same feeling of belonging when we get there [as we have here].”

Lasse, April 2004
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It means that they are very careful when they select agents. Lasse stresses that it is important that agents work in a similar way as they do, and that there is a special personal chemistry. The same relates to the recruitment of employees; it is carefully done. It is important also here that new recruitments fit into “the family”.

Regarding its organisational arrangements, the company has some characteristics that are often associated with small businesses. It is a simple organisational structure with few organisational levels. When I quite early in my interview ask Lasse about the internal organisation and if there is an organisational chart, he answers:

“Yes, yes.

He then adds:

“Yes, we have. We have just recently received an ISO certification too.”

Lasse, April 2004

Hereby, he stresses that the development of a quality program has involved a specification regarding the organisational structure, and a clarification with respect to the division of responsibility. An organisational chart is therefore presented within the quality manual. Lasse gives me a copy of the chart, depicted in figure 6-1:

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**Figure 6-1: The Organisational Chart of Family Tech in 2004**

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Among the departments, the one called production/purchasing employs most people, with more than fifteen people. All the other departments are quite small with respect to number of people; from one single person up to a handful of workers. However, and as within many small firms, it is an impossible task to determine exactly who is working where – in which department – and with what. There is – as Lasse puts it – “no sharp dividing line between our departments”. It means for example that a person does not work exclusively in one department and with one type of work. There may be some “overlapping”, Sara explains, in the sense that employees in different departments temporarily help each other. But there are also some people who – on a more regular basis – have several tasks to perform and switch between different responsibilities. For example, if I understand it correctly, assembly workers also execute service commissions. When looking at the organisational chart in detail, I realise that Lasse is not only managing director, but also head of the market department. Tomas, as another example, works close to his father and is therefore committed to research questions. However, he is also responsible for the “IT-department” and questions related to this issue.

6.3 Financial Planning and Budgeting

6.3.1 Strategic and Long-Term Planning

A first thing that John clarifies when I meet him for an interview is that the running and development of Family Tech have never really comprised any preparations and use of plans. He explains that he has always managed his business based on feeling, intuition, and quick decisions. He says:

“It is about intuition. How should we do it? When do we take the next step? […] We have never had any long-range plans, no five-year plans, nothing. Instead, we have been sitting around the table for an hour or so, and then stated: Now, we do that, and that, and that.”

John, May 2004

He then concludes:

“So, it has been a feeling that has navigated the whole thing.”

When I ask John to describe Family Tech’s development, he clarifies again that it has not been a planned development, rather an evolving one. He once again clarifies:
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“… we have not worked with big and long-range plans. It is the opportunity that makes the thief. And it is the same with business. It is the opportunity that makes the business.”

John, May 2004

In this context, he also gives an example. He tells me that there have been tentative discussions about maybe entering China. And then – about a month ago – an opportunity suddenly appeared, and then they simply said: “Now, let us go for China.”

Also when talking to Lasse, I get the impression that there are no formal plans at Family Tech. However, I also realize that it does not mean that Family Tech’s development is uncontrolled and randomly progressed. For example, when I ask Lasse about the present situation, and if there is any sort of long-range plan nowadays, he answers:

“Yes… The plan… There is always a business plan. And [regarding plans] it is as with the budget. There is always something. Maybe an unofficial budget or what you may call it.”

Lasse, May 2004

According to Lasse’s statement, there is some kind of unofficial plans. And when talking to Lasse, as well as John, I get the impression that they have a lot of ideas on how to continue to develop and grow. They have many ideas about alternative roads to go in order to grow and develop. These ideas can be related to geographical markets, customer segments, or technical development projects. They have ideas about possible lines of development, even if not stated in formal plans. It means that no one has placed these ideas, or possible lines of development, in a clear order of preference, nor determined a specific point of time. Considering John’s statements, they are waiting for an opportunity and for right timing. Then they decide which road to go, and when to do it.

Besides this, there are also some more general targets, even if Lasse prefers to see them as “ambitions”. He mentions for example at one occasion that the ambition is to try to enter two new markets each year. In another part of the interview, he says:

“The plan is to have a growth of 20 per cent each year.”

Lasse, May 2004

There are despite all a number of ambitions, or targets. The absence of plans seems to mean that they have not in advance determined how to reach those targets, and when. But, as clarified, Lasse and John have numerous ideas about possible measures to take.
6.3.2 Program Analysis

Similar to planning, both Lasse and John describe decision-making processes at Family Tech as quick, simple and courageous. John uses a boat metaphor for explaining the way of acting, with respect to decision-making. He says:

“We don’t belong to a group of companies. We navigate our boat ourselves. [...] If you look at large institutions and companies, it is a process… It is like navigating a heavy oil tank. It is a slow process. But we have a small outboard motorboat. We bustle around.”

John, May 2004

John further explains that their decision-making is characterised by risk-taking. He also indicates that this is one thing that explains the company’s growth and success. At one occasion he says:

“We have maybe been a little reckless. We have thrown ourselves into new things when we have seen an opportunity.”

John, May 2004

He later suggests that this is what makes Family Tech different from some of its competitors:

“But I think it is much about taking risks. To have the courage to take one step further than the competitors, but still having control.”

Talking about decision-making, Lasse and John over and over again stress that they do not make any careful analysis before entering a project. According to their statements, a decision at Family Tech is not preceded by any thorough analysis, of the kind which can be called program analysis. Hereby, they emphasise that they can act quickly and take rapid decisions. Even if they discuss it in general terms, with respect to many different decisions, the description seems to be relevant for new application projects. However, it does not mean that they enter just any project without considerations.

A first thing that is considered – initially and before investing resources on research – is if it seems possible to solve the problem, technically. When Lasse describes a specific project – here called the ‘Russian project’ – he emphasises several times that it is important to be sure that the problem is possible to solve, according to natural laws. Lasse explains:

“We got the request but it didn’t feel right. [...] So, we backed out. The Italian supplier who sold the machine has now taken it [the
The failure of the competitor involved a second chance for Family Tech, and they decided to try once again. This time a new solution was figured out that “is with natural laws”, as Lasse puts it. This example may be seen as an illustration of their risk-taking behaviour, as Lasse and John have described. It was a risky and technical advanced project, and they did not know if it was possible to solve it. However, they did also realise that a solution would involve a very large and profitable order. It was probably the main reason for still entering the project. This kind of decisions is preceded by some financial considerations. It is for example indicated by Lasse when he describes how he thinks before investing in such projects. He says:

“It has to be possible to construct, and there has to be some reasonable and positive financial aspect in it too.”

Lasse, May 2004

But he then adds:

“But you can’t be afraid of entering a project. It may look very large, and also costly. But we invest for the future. We are not helped out by generating enormous profits. Instead we have to generate products that we can sell in the future as well.”

John also emphasises that they sometimes decide to invest in a project, despite knowing that it will be at a loss. They do so in order to show the market what they can achieve, but also to keep the company on a high technical level. When John describes a patented technical innovation he – together with colleagues – has developed, he touches upon this. He then says:

“If we had been accountants, we would not have done it. [A small laugh.] It was too expensive. But we did it in order to show our market what is possible to do. And now we are selling this machine [as a standard model]. If we had made any calculations […] then we would never have had the courage.”

John, May 2004

However, even if no careful calculations are made, as John’s statement indicates, they still make some financial considerations. John explains for example that they try to estimate how many hours on research that a project will involve, before entering it. And then they look at the financial position, in order to see if
it is feasible to make the investment. This is one reason why John and Lasse appreciate Sara’s monthly reports, which will be returned to later.

### 6.3.3 Budgets and Budget Preparation

Both John and Lasse are very clear about their use of a budget, or rather lack of use. They are also prone to clarify to me – early in my project – that no one at Family Tech does really prepare and use budgets. This is for example the first thing John points at when I ask him if they can participate in my study. It is also something that Lasse stresses when I make my first introductory visit at Family Tech.

Some of their reasoning related to plans, described in a previous section, also naturally returns when discussing the budget issue. However, when I ask about plans, or when they spontaneously bring this up, they have more general and long-term plans in mind. And when talking about budgets, they have a more detailed plan in mind; a one-year budget which states revenues and expenditures for the company as a whole.

Lasse and John bring up several reasons and justifications for not preparing such a yearly income budget. In this context, John mentions for example that he is not an accountant, and does not have any such training. The same relates to Lasse, and others that have a strong influence on the company’s development and management practices. It means – they seem to suggest – that they are not running and managing the company in accordance with an accountant’s principles and logic. They stress though that it seems to work anyway – and maybe even better – without a budget.

John, explaining his way of reasoning, clarifies that he has always tried to make it simple. He says:

> “We have never prepared a budget. Instead we say that we should try to exceed last year’s outcome. If we have sold at an amount of 80 million, than we should do better than 80 million.”

John, May 2004

Later in the interview, he returns to this and says:

> “So, I always look in the rear-view mirror to see how it was last year. And this we have to outdo. It is our growth goal.”

He further clarifies that this is how he works; simple and unremarkable. He also tells me that he has negative experiences from budget work. Before starting his own business, he worked at a large company where they – according to John – “put an awful lot of work on budgets”. He continues:
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“Long lists were sent to the United States, and there were three people working only with budgets. And then everything went wrong anyway. Something I found discouraging to witness.”

Also during my talks with Lasse, we touch upon the budget issue. He as well stresses that he has not worked with budgets, so far. And why preparing budgets, when they haven’t seen the need for it, he seems to reason. He says for example on one occasion:

“I have told you previously that we do not work against budgets, or have not done it. […] I don’t see the point really.”

As John did, Lasse explains that they work with simple goals instead, like the target of a twenty per cent sales growth per year. It means that they – despite a lack of a budget – know where the company is heading. One reason for not preparing a budget is a principle of simplicity; and an idea of budgeting work as something that may cause more work than value.

Lasse develops why budgets are of limited value for Family Tech. Once again he stresses that the company sells very expensive – and still quite few – units. It means that one or two machines affect the figures tremendously. Only a slight change in number of machines – for example due to an external incident – affects the revenues remarkably. Furthermore, which also makes it difficult to prepare budgets, is that it is extremely difficult to predict when a deal is closed and a machine is sold and ready to deliver. Lasse explains that it makes a big difference in a budget if a machine is predicted to be sold in November, compared to January next year.

However, when talking to Lasse, it becomes evident that he has actually started to think about working with budgets, and also has prepared one for 2004, even if not an official one. He says:

“I told you that we don’t have a budget, which may seem a little bit strange. But I am right now preparing our first budget. It is based on a follow-up of last year, you could say…”

Lasse, April 2004

A first budget has been prepared; a budget which is based on last year’s outcome but adjusted upwards according to the yearly growth ambition. It is an unofficial budget, in the sense that it is still only in Lasse’s computer and is not yet “in print”, as Sara expresses it. It means that the budget has not yet been included in the accounting system, even if there may be plans to eventually do so. It further means that Sara does not yet consider any budget, or include any budget figures, when preparing monthly reports. About this Sara says:
“No, we have not done that [prepared any budgets]. But Lasse is thinking of maybe buying this module to our accounting system, and currently looking a little bit on budget figures. But it is nothing that has been implemented yet.”

Sara, May 2004

However, describing the budget as unofficial does not mean that it has not been discussed or that it is only Lasse who knows about it. Lasse, for example, mentions that it has been discussed in management meetings, even if not yet making too big deal about it.

Lasse mentions two reasons for starting to prepare a yearly budget for the company. One reason is related to the company’s market activities. Lasse explains that marketing and market activities are heavy cost items. During 2004, Family Tech was about to participate in eleven trade shows around the world, for example in Australia. Therefore, and since these activities cause heavy expenditures, it is – according to Lasse – necessary to control these expenditures better and more carefully. Another reason, which he mentions in a later interview, is that a budget would be a tool for those that are responsible for a department. He expresses this as follows:

“It is a tool to give to my departmental heads, so they can… I can understand that our software guy, who purchases software and things like that… It can be quite nice to know how much we have budgeted, instead of working blindly.”

Lasse, May 2004

A last thing to add here, which is of relevance for understanding the way of reasoning, which the interviewees express, is the focus on machines. As soon as we enter the subject of accounting, or financial issues, the interviewees start to talk about machines. It seems that the main object of measurement is the machine, whereas less focus is put on departmental units, and even the company as a whole. A lot of the estimates that are made are centred on machines. Prognosis regarding number of sold machines – or systems – for the next period is made. And careful cost estimates are made before starting to construct a new machine. The focus on machines is for example pointed at by Sara when she simply states:

“It is the basis for us, number of machines.”

Sara, May 2004
6.4 Reporting and Performance Measurement

6.4.1 Monthly Reports

Sara tells me that she once a month closes the books and prepares a monthly report for the company as a whole. The report holds the information about Family Tech’s financial position, as well as an income statement for the period in question. Sara shows me the structure of the monthly report. Besides income and cost figures for the previous month, the report holds accumulated figures as well as last year’s corresponding figures. With respect to income and cost items, it follows the template of an ordinary and annual profit and loss account. It is an aggregated report with respect to both object and measures. Accordingly, it states revenues and expenses for the company as a whole – the object – and revenue and cost items are brought together in relevant groupings.

When Sara has prepared the monthly report, she distributes it physically to Lasse and John. Both appreciate this report, and describe it as very important. When I ask Lasse what he looks at when receiving the report, he simply answers with a smile:

“That the figures look good.”

Lasse, May 2004

He then clarifies that he does not usually make any detailed analyses, in the sense of scrutinising figures beneath the aggregated ones. Instead he runs his eyes over the report, looking at overall costs in order to determine that these are kept under control. He also takes a glance at revenues, to see that these are at a satisfactory level. John expresses a similar thing, regarding his way of reading the report. When I ask him what kind of information he looks at, among the information that Sara prepares and distributes, he says:

“And then the monthly accounting reports that she runs every month. I look at those, to see how we are doing. Updated, all the time.”

John, May 2004

Here, he points at the importance of having regular and updated information. He also brings another report up – a cost report – before mentioning the monthly one, hereby indicating that the cost report is of high priority. It will be elaborated on in section 6.5.2.

Besides the information in the income statement, Sara puts together some sales information. This piece of information contains for example the number
of sold machines, referring to those where a final settlement has been done. It also holds statistics about sold spare parts, both with respect to quantity and value.

The monthly report is not distributed to employees in general, nor is it made available on an intranet, or similar. Since the monthly staff meeting is on the last Friday each month, and before the books have been closed, Lasse does not go through the report – and its information – on these meetings. However, it does not mean that the employees are not informed, according to the interviewees’ statements. Both Lasse and Sara stress that he – at these meetings – presents a more general picture of the situation. And when talking to Sara, she is very well informed; about goals, activities in progress, explanations for previous results, and incoming orders, among other things.

The monthly report is neither distributed to any of the departmental heads. This is also confirmed by Bo, who explains that he does not receive these reports. However, and when talking about this, Lasse adds:

“It is not like I sit here and gloat over the information by myself. You have to share. And particularly with John, who is the main owner”.

Lasse, May 2004

Lasse further clarifies that he always discusses the monthly report with John. And if there is something he reacts to within the reports, he also confers with Sara, who on her part may examine underlying accounting transactions and supporting documents. Bo also adds that he – together with the other departmental heads – orally gets this kind of information during management meetings, even if the report is not literally reviewed.

6.4.2 Measuring Financial Performance

There are particularly three financial measures that are used for evaluating the performance of the business. One of these is naturally sales, which actually can be divided into two measures; (a) sales revenues and (b) number of machines. The other two measures are (1) operating profit and (2) contribution margin.

For each of these measures, Lasse has some more or less explicit targets. During my interviews with him, he mentions for example a general growth rate of twenty per cent per year. He also specifies targets with respect to sales revenues and sales volume for 2004 specifically. He further brings up two percentages which reflect his goals with respect to operating profit and contribution margin. Regarding the target for contribution margin, it is quite an impressive target. About this he says:
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“It may not be the easiest thing to reach it, but at the same time, if you
do not have a goal you will never reach it. [...] You need a
hypothetic figure to work against.”

Lasse, April 2004

However, when talking to Lasse prefers to describe these targets as “ambitions”, as a way of defusing them and making them less formalised. Even if the employees – or at least some of them – may be well aware of these ambitions, the targets seem to be directed primarily at the management. In other words, the targets are not actively used in order to manage and motivate the employees. For example, when I ask Lasse if everybody knows about the growth target, he answers with a smile:

“Nu…yees. That is a delicate question. Since we have experienced
this growth rate before... You can see it like this. I do not want to slow
down our growth rate.”

Lasse, May 2004

He later clarifies that he may share his targets with the employees during the staff meetings. It is then primarily sales targets, both with respect to revenues and number of machines. At these occasions he may then inform employees about last year’s outcome, and also the goal for the present year. However, after having explained this he adds:

“Oh yes [we do inform them about targets], when we are getting
closer to reaching them and when we have a little more feeling for
them and if it possible to reach them or not.”

Lasse, May 2004

Here, he indicates that he does not really make targets official among the staff until he knows that it is possible to reach them. Lasse explains this in the following way.

“I do not want to give my staff false visions.”

Regarding the outcome with respect to sales and income profit, Lasse and John get this information in the monthly reporting, previously described. Hereby, they can closely follow the progress in relation to set targets. By expressing some financial measures in percentages – as growth rate and profit margin – they are also able to make comparisons between time periods.

Contribution margin – on the other hand – is presented in a product cost report, which is produced when a machine is finished and delivered. It will be
described in the next section. However, when I ask Sara if the contribution margin for a period is also looked into, she at first says:

“No, we have not done that. It is only for each machine.”

Sara, May 2004

She then corrects herself:

“Or…yes. Now, I am wrong. […] Oh yes, we do that.”

She explains that she has recently started to do that. It is one thing that is stated in the recently approved quality manual. Contribution margin is therefore something that she recently has started to follow up more closely. She also mentions expenses for guarantee as another measure that she recently has started to follow up, regularly. She later shows me a document in the computer which holds these figures, for several months back. Besides a matrix with these figures, she also briefly shows me a diagram illustrating the development of the contribution margin.

I also ask Lasse if he – on the staff meetings – informs the staff how the company is doing in relation to targets. He answers in the following way:

“Maybe I do not do that really… […] I do not have to tell them everything. We have open doors here. If anybody has a question, then they come here and talk.”

Lasse, May 2004

A reason for not “telling them everything” seems to be an ambition to have a continued positive attitude and atmosphere among the employees. The idea seems to be that bad prognoses may be discouraging to the staff.

6.4.3 Rewarding Good Performances

There is no formal reward system linked to the fulfilment of mentioned targets. Instead they celebrate good performances and particular events more informally at Family Tech, by for example buying a cake. When I ask Sara about rewards, and what kinds of events that are celebrated, she says:

“We have more like… We are still so small… If someone is having a birthday, we may buy a cake. It is this kind of familiarity.”

Sara, May 2004

She later returns to this and clarifies that the organisation is quite informal both with respect to rewards and information-sharing. She explains that it is more
like “Oh, we have got a new customer in Germany. Let’s celebrate!” She also explains that when the company was newly started, they celebrated with a cake every time a new order was received. Nowadays, it is somewhat different. When I ask her when someone buys a cake these days, she gives me a concrete example. She tells me that the person responsible for service and spare parts recently promised to buy a savoury sandwich layer-cake, when the sales of spare parts have passed two million Swedish kronor.

Lasse also confirms the picture of a cake-eating company. When I pose the following question to him: “How is a good performance rewarded?”, he answers:

“Yes… Hm… [A small laughter]. If there is anything so… We eat a lot of cake here.”

Lasse, May 2004

He clarifies that they may celebrate in this way when they have performed well in the selling, or – as Sara mentions – when somebody has a birthday. He adds though that they – the owners and managers – at some occasions have decided to make separate payments to the employees, after periods of arduous work. This has been a way of rewarding the employees for being willing to help in stressful and troublesome situations.

6.5 Project Costing System

6.5.1 Project Estimates

The business of Family Tech is heavily centered around machines. Therefore, it may be of little surprise that an important system for them is a product costing system, which has the machine as a measuring object. Each machine is carefully estimated and followed up. However, since each machine is seen as a project, the actors at Family Tech talk in terms of project estimates and project reports.

To start with project estimates, there is one for each of the company’s standard machines. The estimate constitutes the foundation for price setting. For the standard machines, there is a price list which sellers and agents at Family Tech use. The list states the level of compensation that is wanted for a sold machine. It does not state the price that a customer has to pay. It is instead a question of negotiation between the customer and the seller or agent. In the case that the customer asks for a specific feature, then a prediction is made regarding the costs of including that feature. Most of this work with cost estimates and price setting is, according to Sara, done by Lasse.
The estimate specifies predicted resources for material and for developing and manufacturing and selling the machine. It means that Lasse has to make an assessment with respect to needed components, transports, commission, and hours in different production operations.

A similar cost estimate is also prepared for custom-specific projects. However, in these cases John is also involved, since he has to estimate necessary resources for research and construction. Lasse clarifies that these estimates are hard to prepare since customer-specific and non-standard projects often involve a lot of uncertainties. Referring to a specific project – the “Russian project” – which is characterised by an advanced technical solution and a great deal of uncertainties, he says:

“I do not know how much it will cost. In that case, it is a question of getting as much [money] as possible.”

Lasse, May 2004

The cost estimate provides one reason for producing a project costing report. It makes it possible to compare actual outcome with the estimates. Hereby, they can learn for future projects. These costing reports will be described in the next section.

### 6.5.2 Project Cost Report

Sara explains that besides the monthly report, she also prepares a cost report for each machine – or “project” – as soon as a machine has been delivered and invoiced. This is perceived as a very important report, and is being analysed and discussed more than the income statement.

Sara shows me this report as well. It primarily specifies – for each single project – used material and its costs, as well as working hours and labour costs for every operation. The cost report is then compared to the estimate. When listening to the interviewees, it appears that the report is of high priority. For example, when I ask John the question concerning the information he looks at, he begins his answer by saying:

“It is really the costing report that is… Yes, even the estimate. We determine how much it [a machine] should cost [to produce], and then we look at the outcome. It is a very strong instrument.”

John, May 2004

Also Lasse emphasises the project cost report. When I pose a question to him, asking him what kind of information that is important to understand Family Tech’s finances, he says:
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“What is very interesting, and what I regularly want reports on, is the project costing.”

Lasse, April 2004

Sara further explains that as soon as the report is prepared she distributes it to Lasse and John, as well as to Bo – the production manager – since it holds important information regarding his responsibilities.

The project costing system makes it also possible to follow a project, and to regularly control its expenses. As soon as there has been decided to invest resources in a project, it is given a “project identification number”. In the accounting system, Sara then registers all resources used for a specific project by using this identification number. When possible, purchased material is linked together with a specific project. Furthermore, workers have to report – to Sara – what projects they have been working with, and how many hours. This kind of cost accounting makes it possible to control costs for a specific project. This is done for many reasons. One reason is to keep an eye on expenditures related to research and development. When I ask John about this – if and how this kind of expenditures is controlled – he answers:

“Yes, we control them. We do. We are very scrupulous about project cost reports. Everything is registered, so that we know what it costs. So we have a very good control of the expenditures.”

John, May 2004

John also explains that one reason for ending a project is that these costs have started to increase to an unreasonable level. He expresses this as follows:

“Yes, we end projects. There are a number of projects that we have ended when we have seen that costs go off. […] There are many things that are never finished.”

He then mentions a pipe project that he – and maybe Lasse – decided to close down, and he did so before the costs became extremely large. This kind of cost control is also used for allocating development expenditures and for setting prices. It relates then to such projects where there is not a specific order behind the project. It is more of a prospect. In such cases, research and development expenditures will be allocated on the number of units that are estimated to be sold.

When I ask Bo how he reads the reports, he explains that he at first looks at the bottom line, to see if it holds red figures or not, i.e. if the project shows a profit or loss. He further looks at the contribution margin as well as number of man hours that the project has caused. He also clarifies that he makes comparisons between the production cost and contribution margin of different
machines, however of similar kind. If there are differences between similar machines he looks for explanations behind these. He does this in order to see if they can improve something for next time, he explains.

Lasse, who sets the prices, is of course interested in these reports since they provide an opportunity to see if set prices cover the costs, and if money is made on the machines. When I ask Lasse what happens if there is a difference between the estimate and the outcome, with respect to e.g. the man hours, he answers that it happens once in a while. He continues by explaining that he then look for an explanation. However, he adds though that he is mostly aware of the reason behind such a deviation; something which also Bo stresses. Lasse for example expresses this in the following way:

“I [usually] know… Since I follow the projects continually, I get this kind of information.”

Lasse, December 2005

He then simply adds:

“And if I don’t know, I go out and talk to them. You know, you can write reports endlessly. But it is quite good to talk to each other sometimes [a small laugh].”

6.6 A Second Picture of MCS in an Entrepreneurial Organisation

6.6.1 Entrepreneurship at Family Tech

The above presentation can be presented as a second description of a management control system in an entrepreneurial organisation. A first spontaneous reflection is that it is a very different description compared to Soft Tel, both with respect to the company as such and its management control system. However, this discussion will be left for later (see chapter 8). Here, I will limit myself to an elaboration on entrepreneurship in the context of Family Tech, similar to the elaboration which was done in relation to the Soft Tel description (section 4.7.1). Thereafter, I make a brief summary of Family Tech’s management control system.

If once again returning to my definition of entrepreneurial organisations, a thing to discuss is in what respects Family Tech and its members show an ability and willingness to pursue opportunities, and to innovate. Regarding the
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ability, it can first be clarified that the interviewees give me a number of examples of successful innovations related to the production technology and to the product. As was described in relation to the start-up of Family Tech, the original machine – constructed by John – was based on a new technical solution, taking advantage of a newly developed technology. This technical solution has been patented world-wide. They also describe other later technical innovations, which have either improved the performance of Family Tech’s machines or involved a new application area. Some of these innovations have also been patented. In some cases, they have – according to John – made the judgement that a patent is not necessary and not worth the effort. He then clarifies by claiming that some of the technical solutions are after all very difficult to copy. It can be argued that the company’s growth and success indicates that Family Tech members have been good at finding new solutions, and at introducing them in the market. First of all, except for a short period in the beginning of this century, Family Tech has grown steadily with respect to its turnover, number of employees and production space. Even if there is not a self-evident relationship between company growth and entrepreneurship, growth is one indicator of continued and successful entrepreneurship (see e.g. Davidsson, 1989). This can be argued to be the case at Family Tech. Listening to the actors at Family Tech, it is clear that the growth primarily can be explained by the construction of new offerings, by the identification of new possible application areas or customer groups, and by an extension of the market. This is also what Davidsson (2004) calls entrepreneurial growth, in comparison to growth which is accomplished through organisational changes (e.g. acquisitions) or through “business as usual”. Second, it can also be argued that Family Tech has been successful in the sense of being an important actor, both within its line of business specifically and within the local industry more generally. When getting acquainted with Family Tech, I realise that both the company and John – the founder – are well known among local industry people, as well as within the industry in question.

Talking to John and Lasse reveals a willingness to find new solutions and to take advantage of opportunities. Much of their reasoning, presented above in relation to the management control system, is based on such ambitions. They also explicitly declare that they want Family Tech to be in the technological front, within its niche. This is, for example, why they engage in advanced – and sometimes very costly – development projects. In this context, they also give me an example of such a challenging project; “the Russian project”. This was a project which one of its competitors failed to complete, but which they managed to find a technical solution for.

Considering the ways of growing – previously mentioned – and the way of working with research and development, Family Tech is characterised by a proactive approach to renewal and innovation. The Family Tech members do
not wait until a customer expresses a demand, or declares a perceived problem. Instead, they often work the other way around, even if not totally abandoning problem-solving which has its origin within a specific customer request. The Russian project, e.g., was initiated based on an explicit customer need. However, much effort is also put in a more active search for customer needs – which the customers are not aware of – and to create new technical solutions which may lead to a demand and which may involve new customer groups and new application areas. It involves an active search from Family Tech’s part, in the sense of scanning and listening to the market. John, the person who is most actively involved in this process, expresses it as follows:

"We hear… We listen to the market. And if there are several [actors] who seem to be interested in a similar thing, then maybe…”

John, May 2004

A little bit later in the interview he expresses a similar thing, when saying:

"We listen to the market, and we hear that they would like to do that, and that, and that. And finally we may say: Now it is time to enter this niche."

The way of working is exemplified in a story which John tells me, it is about a detail that will fit into a jet engine; a detail which he also shows me. He explains that he had heard about a company that wanted to be able to prepare this detail with the use of the technology that Family Tech uses. The detail is quite different from what they usually deal with, since it has to be twisted to get the right shape. Normally, Family Tech’s machines only work with flat pieces of material. Later he has found out, John explains, that there are other companies in the same business – but in other countries – that express a similar need.

It can further be stated that entrepreneurship – in Family Tech – is limited to a small group of people, particularly to John and Lasse and possibly also to John’s family. Innovation and development is something which mainly concerns John and Lasse. They determine which projects to invest in, and when. Since John is responsible for research and development in the company, he is the one who searches for new opportunities. This is for example hinted when I ask him where all ideas come from, both ideas on new applications and of more general technical improvements. He then says:

"Yes, it is often on trade shows and customer visits. And during debates and lectures. […] I often give lectures for different kinds of organisations, as an example. And then questions always come up. So, we have an open attitude."

John, May 2004
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Note also that the research department basically consists of John and his son Tomas.

Their answers – particularly John’s and Lasse’s – reveal that entrepreneurship in their mind is closely linked to themselves as individuals. When explaining the way of planning and making decisions, they refer to themselves and their way of reasoning – as entrepreneurs. At one occasion, Lasse says for example:

“It is a kind of entrepreneur-feeling here. John is an entrepreneur and I am also quite… If I get something on my mind, I certainly want to realise it right away. One should not enter into and analyse everything in detail. It is a gambling you have to take. Then there is a little feeling too…”

Lasse, April 2004

Even if explicitly touching upon entrepreneurship then – in statements and explanations – they relate entrepreneurship to themselves mainly, and not to the organisation. In this sense, the ideas about and approaches to entrepreneurship are somewhat different than expressed by the actors at Roxtec. Here, entrepreneurship was mainly an organisational feature. When explaining the ways of e.g. planning and controlling the business, the Roxtec managers returned repeatedly to the idea that Roxtec was an entrepreneurial and growing company, and very different from mature and administrative ones (see Lövstål, 2001). Similar statements are not expressed by Family Tech members.

Considering the above, entrepreneurship at Family Tech involves both creative problem solving in order to solve customer requests, and a more proactive search for new opportunities. Entrepreneurial activities and development projects further involve a limited number of people. As previously described, there is a research and development department, which John is responsible for. John is also the one who is most actively involved in the search of new opportunities and the development of new solutions. It further seems as if entrepreneurship – by the interviewees – is seen as an individual feature, and not an organisational one.

6.6.2 Summary – MCS at Family Tech

What can be said about Family Tech’s management control system then? First of all, listening to the interviewees’ accounts, much centers around machines. This can also be traced in the management control system. A highly appreciated control system is the product costing system, which has the machine as the measuring object. It is constituted of – what they call – a project estimate and a project cost report. Project estimates are used for price setting, and for
production planning and purchasing. The project estimate is further compared with the cost report, which holds actual figures with respect to man hours and expenses. The cost report further holds information about sales price, which makes it possible to also see contribution margins and if the machine was constructed at a profit or loss.

Lasse and John also have – what Hansen (2005) calls – cognitive accounting models, with respect to machines. They have mental ideas – based on previous experiences – about e.g. number of machines that have to be produced and sold in order to overcome previous year’s turnover and in order to show a satisfying profit. They also “know” how many machines of different kinds there is capacity to produce. A kind of cognitive model is also used, when deciding upon research and development projects, e.g. if and when to invest in a project, and if closing a project in progress. In line with Hanson’s reasoning, these cognitive models seem to affect and support the use and reading of formal accounting reports.

The monthly report is an important tool, as well. This is analysed by both John and Lasse, sometimes also discussed. It can be stated that few formal plans – besides the project estimate – are prepared in Family Tech. According to Lasse, he has a number of more or less explicit targets – or ambitions – which guide him in the work. There are also a number of ideas on how to develop the business, even if not translated into formal plans. Note also that Lasse, despite all, has started to prepare a yearly budget. However, at the time of my study, it was not spread among employees or actively used for e.g. delegating responsibility to department managers.

At Family Tech, there is neither a formalised performance measurement system – like Soft Tel’s performance matrix – nor a reward system. In the work with the quality program though, there has quite recently been decided upon a number of financial measures that will be used for evaluating the performance of the business, and also making comparisons between years.

Finally, there are no systems or tools that have departments or other organisational sub-units as a measuring object. So far, the system is built with a focus on the company as a whole, and on the product.
7 Analysing the Use of Management Control Systems at Family Tech

7.1 Introduction

In chapter 5, I analysed the use of management control systems in accordance with the suggested balancing framework. The aim of this chapter is to do the same with observations from Family Tech. Having the focus on management control systems, what characterises balancing in Family Tech with respect to (1) planning, (2) decision-making, and (3) organisational control?

The chapter has a similar structure as chapter 5, where Soft Tel was analysed.

7.2 Accounts on MCS and Planning at Family Tech

7.2.1 Reflect a Practice of ‘Muddling Through’

Besides the rational planning process, I presented in chapter 2 another type of planning philosophy; a philosophy based on a process view and that was likened to a learning process. Referring to e.g. Normann (1975/1999), I also described the philosophy as a practice of ‘muddling through’ and ‘feeling one’s way’.

In the case of Family Tech, there are many statements that point in the direction of such a planning philosophy. When I for example phone John to ask him if Family Tech can participate in my study, he starts by declaring that he has never prepared a budget for Family Tech. And when I – some weeks later – meet him for an interview, the first thing he says is that there have never been any formal long-range plans for the business. Literally, he says (cf. section 6.3.1):
"And we have never had any long-range plans, no five-year-plans, nothing."

John, May 2004

Since the lack of plans is the first thing he mentions, it is obviously something that he regards as important for understanding the development of Family Tech. As described in section 6.3.1, John refers to feeling and intuition when explaining how he has managed his business. He says for example:

"It's an instinctive feeling. How should we do it? When should we take our next step? [...] You can do it in a simple way, I would say."

John, May 2004

A little bit later, he expresses it in the following way:

"So, it has been a feeling that has navigated the whole thing."

John also justifies the lack of plans by referring to opportunities. He explains that making progress has been a question of catching opportunities. About this he says:

"But there are no big, long-range plans that we work with. Instead it is the opportunity which makes the thief. The same relates to business transactions. It is the opportunity which makes the deal."

John, May 2004

Even if Lasse is not so definite in his statement about plans, his descriptions also point at a lack of formal plans. When Lasse – for example – tells me that Family Tech has recently started to do business in Chile, he describes it as follows:

"It just happened to be like that, we happened to get in contact with an agent... [...] It was quite unexpected. It was not planned really. It just happened."

Lasse, May 2004

And as may be remembered from section 6.3.1, Lasse answers in the following way when I ask him about long-range plans:

"Yes... The plan... There is always a business plan. And [regarding plans] it is as with the budget. There is always something. Maybe an unofficial budget or what you may call it."

Lasse, May 2004
Here, he indicates that he has some ideas about possible alternatives for development, even if not stated in formal and official plans. This is also implied by John when he explains that “they have had some ideas” about possible new markets, even if it was an opportunity which made them invest in and enter the market of China. The existence of such loose ideas will be further discussed later.

The lack of formal and official plans also relates to budgets, not only long-range plans. Both John and Sara stress that there are no budgets prepared for the business. Lasse also admits that they – so far – have not really prepared and used budgets. As mentioned in section 6.3.3, he says at one occasion:

“I have told you previously that we do not work against budgets, or have not done it. […] I don’t see the point really.”

Lasse, May 2004

He then adds that he has – despite all and for the first time – prepared a budget. It is not official and is seen more as a first attempt. According to Lasse, the idea is that they should start to work more with budgets in the future. This will be returned to later. So far, there has been little attention paid on plans, neither long-range plans nor budgets.

Planning within Family Tech also reflects integration with respect to different time perspective; yet another tension presented in chapter 2. There is a continuous interplay between visions, medium-termed goals and immediate actions and short-term plans.

7.2.2 Indicate an Instrumental View of MCS

Family Tech’s planning is characterised by the philosophy described in terms of ‘muddling through’. However, when analysing arguments for not preparing plans and budgets, it can be suggested that the statements reflect an instrumental view of management control systems in relation to planning.

If first considering John’s description that Family Tech’s development has been catching opportunities, not so much planning. Hereby, he indicates that these two things are incompatible. He suggests that planning is difficult – or even unnecessary – since it is impossible to foresee and plan for emerging opportunities. And why prepare a plan when it is impossible to keep it? A similar idea is reflected when John explains why he has not worked with budgets. As mentioned in section 6.3.3, John explains that he has budget experiences from a previous place of work. In that company, they did – according to John – “put an awful lot of work on budgets”. Still, everything “went wrong”. Even if he does not explicitly explain in what sense the budget “went wrong”, I get the impression that he means that the budget was never fulfilled
anyway. Lasse – on his part – also points at the idea that a budget should be fulfilled. He explains that they find it difficult to prepare budgets since they work with very large and expensive units. He says:

“Since each machine implies a large amount of money, one machine more or less affects the outcome quite a lot. […] So, therefore we have not attached much importance to it [budgeting].”

Lasse, April 2004

He states that a misjudgement with respect to one machine causes large implications on the budget. It may be that the demand is slightly decreased due to an external incident or due to a recession in one of their geographical markets. Lasse also explains that it is difficult to predict when a deal is closed and a machine sold and delivered (cf. 6.3.3). A misjudgement with respect to such things makes a budget defective and out of date.

All these explanations for not preparing detailed plans and budgets reflect an instrumental view of such tools. Lasse and John’s statements indicate that the overall aim of budgets and plans is that these should be kept and fulfilled. The statements also point at the idea that budgets and plans hold clearly defined methods and activities for how to proceed. Hereby, statements from Lasse and John are based on a goal view of planning, which previously has been described. Considering this, it can be concluded that the actors’ statements at Family Tech reflect a similar view as that within Soft Tel, if having the focus on plans and budgets. Besides, this view is not in accordance with how the managers at Family Tech want to manage the business. Therefore, they have not paid much attention to plans and budgets.

7.2.3 Reflect Increased Formalisation

Planning at Family Tech stands out as very informal and they have not hitherto worked with formal plans and budgets. The ‘plans’ are primarily in the heads of John and Lasse. This is why Lasse describes them as unofficial.

There are some tendencies towards an increased formalisation regarding planning. First, Lasse has started to prepare a yearly budget which holds aggregated figures with respect to revenues and expenses. At the time of my study, this budget is not yet an official one, even if it has been discussed informally with all those responsible for a department. Lasse gives several explanations for starting to prepare a budget. He mentions for example that the departmental heads need an instrument which may help them planning and organising the activities. He also mentions that he needs a budget to get a better control over the marketing activities, which is a considerable cost item. The idea
is also that a similar budget should be prepared for the subsidiary in Germany, something which is not done today.

As was brought up in section 6.2.4, Family Tech has quite recently received an ISO certification. Talking to Lasse, I realise that the development of the quality program has involved changes with respect to the processes. He mentions for example that it is now stated within the quality manual that there should be a "management exposition" twice a year. At these expositions, all people responsible for a department gather in order to discuss important matters. We can assume that these kinds of formalisations – related to the quality work – will affect the planning process in the direction of a more formalised one.

Lasse also expresses awareness of the need to formalise the work and systems even more, as the company grows in number of people. However, there is one kind of formal plan which is also followed up, and compared with actual outcome; the project estimate. In the work with this system, Sara follows a more predetermined and definite procedure. This related also to the preparation of monthly accounting reports.

### 7.2.4 Point at Loose but Distinct Ambitions

Hence, it appears that managers at Family Tech do not work much with formal plans and budgets, besides the project estimate. It does not mean that the development of Family Tech is totally unplanned, even if John seems to suggest this. As was mentioned in 7.2.1, John and Lasse have some ideas on how to develop the business. Talking to them reveal also some goals that they are striving towards.

In chapter 2, I suggested that planning and goal-setting can be discussed in terms of tightness and looseness. I further suggested that this notion relates to the amount of detail and the degree of precision in plans and in set targets. It also relates to the attitude towards revision during the period and the amount of emphasis on attaining goals and targets. In the case of Family Tech, many observations point in the direction of looseness. As was indicated, John and Lasse have ideas of how to develop the business; which markets to enter; which projects to invest in. However, these ideas are not translated into a detailed plan, which specifies steps of action and time for action. In this sense, it can be argued that the plans are quite loose in the design. Actually, John does not want to call these ideas 'plans'. Lasse – on his part – talks in terms of "unofficial plans", which an above quotation hints at (see 7.2.1). At one occasion, I ask Lasse if he – despite a lack of official plans – has some ideas about which markets that are in turn and thus should be entered next. He then answers:
“Yes, there are some ideas there. Last year Australia and China. […] Now we have just – in the last week – got started in Spain and Chile.”

Lasse, May 2004

However, he then clarifies that the intentions were not to enter Chile right now. It just happened, he explains. About this he says:

“It was quite unexpectedly. It was not planned really. It just happened.”

As argued – in section 7.2.1 – this statement suggests that he does not work against and with the help of detailed plans. His answer does suggest that he despite all have some ideas; some unofficial plans. Besides that, his clarification – that they happened to enter Chile – also points at a kind of flexibility with respect to these unofficial plans. Planning in Family Tech can therefore be described as loose in the sense of being flexible, but also in the sense of not being clearly specified.

If considering the goals, they can also be understood as loose. First of all, as described in section 6.4.2, Lasse prefers to see the goals or targets as ambitions. When I for example ask him if he has declared the growth goal of 20 percentages, he answers:

“No, it [the growth] is what it yields. […] And it is the same with our ambitions with respect to contribution margin and sales. […] There we also have a goal. But if you reach it or not, are two different things. But you have to have an ambition. If you don’t have an ambition, you don’t have a goal to strive towards either.”

Lasse, May 2004

In this somewhat paradoxical statement, Lasse clarifies that it is important to have goals – or ambitions in his wording – so that one knows what to strive towards. There is a reason though why he prefers to talk in terms of ambitions and why he is reluctant to proclaim these ambitions. In his mind a proclaimed goal is accompanied with a commitment to reach this goal; a commitment which he is not willing to make. One reason for this, which Lasse points at, is that there are many incidents and circumstances that are out of his control, but which still affect the outcome. At one occasion, he mentions the terror attack on September 11th as an example of such an incident.

In a previous interview, Lasse describes the company’s targets as “hypothetical figures” (April 2004). Also this description points in a similar direction. The targets are not seen as something that is definite and decisive. Such an approach to targets or goals may be understood as loose. The goals can further be
regarded as loose since they are not defiantly declared, to the employees or others.

However, looseness in relation to goal-setting can also point at a kind of vagueness regarding determined goals. From such a perspective, the goals at Family Tech can rather be understood as tight. Many of the goals that Lasse, John and Sara mention are quite distinct and also measurable. Lasse expresses for example an ambition to reach a growth rate of twenty percent. He also specifies specific targets with respect to operating income and contribution margin. At one occasion, he further mentions that he has an ambition to enter two new markets each year. John, on his part, explains that he has always had the goal to at least outdo last year’s outcome, primarily with respect to last year’s sales. About this he says:

“So, I’ve said that we all the time have to be better than last year. It has been our [prime] goal. Our way of working has never been more remarkable than that.”

John, May 2004

Some goals at Family Tech can therefore be described as tight, since they are distinct and measurable. It is in other words easy to determine if the goals have been reached or not. However, the goals can be understood as loose if considering that they are not firmly stipulated and defiantly declared. The goals are also loose in the sense of being flexible and quite wide-ranging. Referring to this wide-ranging character, Sara depicts the goals as “rough”. She exemplifies when explaining that a goal may be to sell 40 to 50 machines. And even if some of the other goals are more specific, they are seen more as guidelines than fixed targets.

It should also be noted that even if Lasse and John do not vividly proclaim these ambitions to the employees, it does not mean that they are not willing to share this piece of information or that the employees are unaware of the goals. Sara reveals that she – at least – is aware of these goals, when mentioning several of them. Sara also explains that Lasse is quite open with respect to these issues. She says:

“I think he [Lasse] is quite open with telling us…[what the goals are].”

Sara, May 2004

Lasse, as well, clarifies that he does not keep this kind of information to himself. However, there is a difference between presenting goals as ambitions or guidelines and proclaiming them as fixed targets.
7.2.5 Balancing Planning Tensions at Family Tech

The tensions, which were presented in the framework and in relation to the planning process, are shown in figure 7-1.

\[
\begin{array}{c}
\text{Instrumental} & \quad \text{Emerging} \\
\text{Formal} & \quad \text{Informal} \\
\text{Tight} & \quad \text{Loose} \\
\text{Separative in time} & \quad \text{Integrative in time}
\end{array}
\]

Figure 7-1: Original Planning Tensions and Family Tech's Position

A reflection I make is that these tensions make sense when analysing managers’ use of management control systems at Family Tech. Suggested tensions capture managers’ balancing concerns and efforts better than at Soft Tel. With respect to the planning process, a practice is described which primarily reflects the right element of the first tension. Lasse and John talk in terms of intuition, feeling and quickness when describing their way of planning. It further appears that Lasse and John relate the use of formal planning systems with the left side. They also explain the lack of budgets and formal plans by referring to the informal and emerging character of planning. Here then, by avoiding budgets and plans, we can see an attempt to keep towards an informal and emerging planning. Considering this, it seems relevant to position Family Tech close to the right element in the first continuum, which reflects a tension between an instrumental and emerging planning process. A similar position is chosen also for the second and fourth tension, since these tensions are closely connected to the first one. Regarding the second one, there is a tendency to develop and use more formal systems and structures. The quality program is an example of this, as well as Lasse’s unofficial budget. It explains why I have put the “F” slightly more towards the left on the continuum between the opposing poles of formal/informal planning. To continue with the third tension – related to tightness and looseness – we can perceive a similar tendency as within previous tensions; a tendency towards the right element. It seems as if the use of management control systems at Family Tech is mainly based on ideas related to
looseness, at least according to Lasse and John’s way of reasoning. For example, they explain that there are only rough targets and informal plans at Family Tech, if having any at all. These targets and plans can be understood as loose. The interviewees’ descriptions of planning and related reporting further point at a relaxed – or loose – attitude towards revisions and goal fulfilment. At the same time their answers reveal that there are – despite all – several distinct financial targets, which easily can be followed up and measured. It also becomes evident that there are some more detailed plans (e.g. a yearly budget), which – at least informally – are followed up. Accordingly, the interviewees’ descriptions and explanations reflect both tightness and looseness in the use of management control systems, even if looseness is somewhat more prevalent (see figure 7-1).

Even if original tensions are applicable when analysing the use of management control systems at Family Tech, it seems reasonable to make some changes in order to give a more developed picture of its balancing challenges. When Lasse and John present their use to me and how they justify a lack of budgets and formal plans, they reveal that have an idea of what an appropriate use of management control systems is, according to accountants and according to theoretical models and ideas. They also clearly state that such a use is not in accordance with the kind of planning which characterises Family Tech. At the same time, there is a demand for more formal planning tools, e.g. from Sara and from people involved in marketing activities. This tension, in which management control systems represents one side, is illustrated below.

Use of formal planning systems ↔ Emerging and informal planning

These two opposing elements seem to reflect a prominent tension within Family Tech. Regarding the tension it appears to be a dilemma when listening to and analysing interviewees’ statements. In section 2.3.5, I described a dilemma as a difficult option or even as an impossible choice. Similar to trade-offs, a dilemma reflects an either-or situation. However, a dilemma involves only two options and not – as in the case of a trade-off – a number of positions in a continuum. And in the case of Family Tech, the managers are apparently confronted with such a dilemma. Should they introduce more formal planning systems or should they continue to have an emerging or informal kind of planning? Such kind of tension – in terms of a dilemma – is illustrated in figure 7-2.
Figure 7-2: A Planning Dilemma

So far, planning has been accomplished according to principles related to the right square, whereas the left one has led a languishing life. But now, since the company grows, Family Tech is in a position where its managers have to reconsider their planning ideas and practices. The management team sees the necessity of introducing formal planning systems, at the same time as it seems to dread the consequences. A true dilemma, in other words.

When it concerns the aspect of tightness and looseness, I would claim that interviewees’ descriptions are quite paradoxical. Lasse and John quite firmly emphasise one thing, whereas the expositions point in a somewhat different direction. Here then, we have a situation of both-and, similar to a duality. However, in this case I would rather label the balance as a paradox, since the same targets can be understood and described as both tight and loose, depending on the meaning you adhere to these labels. As has been clarified, some of the targets can be described as tight in the meaning of being distinct and measurable. However, when interpreting how managers approach, talk about and use these goals, they can be understood as loose, being ‘only’ ambitions and not commitments that have to be fulfilled. Accordingly, Family Tech’s planning can also be understood as a paradox, with the following opposing elements:

Tight in design

Figure 7-3: A Planning Paradox

Here, included elements cannot be interpreted as opposing poles, since they have somewhat different meanings and are not really comparable. We can still talk about a balance though. Tightness in design is balanced by a loose use and meaning.
7.3 Accounts on MCS and Decision-Making at Family Tech

7.3.1 Stress Intuition and Risk-taking

In previous sections, I discuss planning and goal-setting. How about decision-making then; the second management control process included in the framework? In chapter 2, I described a decision-making which is characterised by a careful analysis of alternative causes of action. It is further reflected in the use of information when making such an analysis. Another kind of decision-making was described in terms of intuition and feeling. This type of decision-making can further be argued to be characterised by risk-taking, in the sense of not being preceded by careful analysis of consequences and alternatives.

Both John and Lasse portray their decision-making in this last way. They both describe their decision-making processes as fast, simple and courageous. They also relate their way of making decisions to entrepreneurship. At one occasion, Lasse for example touches upon entrepreneurship when describing and explaining his way of making decisions. He then says:

“It is a kind of entrepreneur-feeling here. John is an entrepreneur and I am also quite… If I get something on my mind, I certainly want to realise it right away. One should not enter into and analyse everything in detail. It is a gambling you have to take. Then there is a little feeling too…”

Lasse, April 2004

In the statement, he indicates that he associates entrepreneurship with risk-taking and intuitive decision-making. He also suggests that – to an entrepreneur – it is more important to take action than to make a well-founded decision. And this is, according to Lasse, something which characterise John and himself.

John and Lasse further reveal that the kind of decision-making which they describe does not incorporate such instruments which I call ‘program analysis’ in chapter 4 and 6. Before making a decision to invest in a new project, they do no calculations or financial estimates, according to themselves. Referring to the decision to enter a new market, John says:
John also claims that they deliberately make investments in new technological innovations, even if they had known that it – in itself – is a financially bad project. During my interview, he shows me a photo of one of Family Tech’s machines, with some technical advanced solutions. He thereafter explains (cf. also 6.3.2):

“This is probably the most advanced. It cost six millions. If we had been accountants, we would not have done it. [A small laugh.] It was too expensive. […] If we had calculated like that; that this will not pay off… Then we would never have dared to do it.”

John, May 2004

He suggests that calculations and financial estimates would make them too careful. In order to stay competitive and in order to be in the technical front, Family Tech has to be engaged in risky and financially bad projects, he argues. In this sense, it will – despite all – pay off in the long run. When he describes a development project that he is involved in at the time of my interview sessions, he also explicitly stresses this; that such projects may have long-term positive effects. He says:

“It may be that it won’t pay off in five years to invest in this. But if you have done it, then you are on a high technical level. And then you get other jobs too… […] Then you develop a kind of trust on the market.”

Lasse, on his part, indicates that such analyses delay decisions. In an above quotation he clarifies that he wants to take action “right away”, having an idea. This is something that they repeat. For them, it is important to act quickly.

Both Lasse and John assume then that control systems – here in the meaning of financial estimates and calculation – may be more of a hindrance than a helpful instrument. Hereby, it becomes reasonable why they do not make such ‘program analyses’.
7.3.2 Touch upon Shallow and Non-Systematic Estimates

However, there are some statements that suggest that some financial considerations and estimates are made before entering a new project. For example, before developing a new machine, John and Lasse do some estimates with respect to both costs and revenues. They make for example some judgements regarding needed hours for research and development. This is hinted at by John when explaining:

“We try to prepare an estimate of how many hours we need on… [research and development], [which states] how much time it can take.”

John, May 2004

When talking to John I realise that he tries to predict how many machines they will be able to sell, of a particular kind. So, they make some estimates and calculations despite all, even if very shallow ones and not very systematic. However, what they both stress is that a project may be entered despite bad figures, as also was indicated previously. John for example – referring to a special machine – says:

“And then we put a little extra in it. But at a rather bad price. […] So, we have made a lot of development progresses, without having good estimates. That is…to take risks.”

John, May 2004

Lasse points in a similar direction when saying:

“One can’t be afraid of entering a new project. It may look very massive, and maybe also very costly. But we build for the future.”

Lasse, May 2004

There is another kind of financial consideration that is done before making an investment. Since the management has the ambition to self-finance Family Tech’s growth and development, it has to look at the financial situation. However, this financial consideration is also described as a very simple and shallow one. When I ask John how they determine how much they can invest in research and development, he answers:

“We do not make any heavy, carefully prepared analyses. We make sure that we are on the credit side. Now we have the capacity to do it. [But] we do not make any deep analyses.”

John, May 2004
Above statements indicate that some estimates are done, however quite shallow and non-systematic ones.

### 7.3.3 Point at an Informal Process

It can be argued that John and Lasse’s decision-making reflects an informal process since it is not formally specified and do not follow a prescribed procedure. This relates also to when decision-making is done. John for example claims that many decisions have been made around a kitchen table, by him and his sons. Even if this may not be the case anymore, after Lasse has been appointed managing director, decision-making is still simple and casual, according to the actors’ statements. Lasse, for example, describes how they may proceed when deciding to invest in new projects or not. He describes it in the following way:

> “And then, John and I sit down sometimes for a talk. Should we go at that project now? […] Should we or should we not? There are no long decision-making paths. It may take a couple of minutes to talk it through.”

Lasse, May 2004

John also hints at informality with respect to decision-making, when claiming that they never wait for a meeting when making a decision regarding new development projects. He says:

> “When we see that something is happening. Then we do it. We do not wait for a large meeting. Instead we go ahead.”

John, May 2004

### 7.3.4 Balancing Decision-Making Tensions at Family Tech

It can be argued that decisions at Family Tech are not very well-founded, in the sense of being preceded by careful analysis. This is something that John and Lasse are eager to stress. They do not make any such program analyses which could be expected when having a rational view of decision-making. In the case of Family Tech, decisions are based on intuition and conviction. However, and as explained, John and Lasse make some financial estimates before entering a project, even if simple ones. What they stress though is that they may decide to invest in a new project irrespective of the outcome of these financial considerations. They may – in other words – make investments despite bad figures. This is not in accordance with a rational decision-making process.
However, we can trace some tendencies towards the left side. John and Lasse make for example some estimates before making a decision, even if they do not follow procedures taught in textbooks and possibly not as carefully as an accountant would. If trying to position Family Tech between original opposing elements it would be towards the right side, as depicted in figure 7-4.

![Figure 7-4: Original Decision-Making Tensions and Family Tech's Position](image)

According to the interviewees’ descriptions and explanations, it can be suggested that there is not really a balance between a rational and formal decision-making on the one hand and an intuitive and informal one on the other hand. Rather, it seems to be a question of balancing between quick and simple estimates on the one hand and intuition and conviction on the other hand. This balance is captured in the first tension, in figure 7-5. Their descriptions of decision-making further reveal a continuous interplay between a short and a long-termined perspective.

![Figure 7-5: New Decision-Making Tensions and Family Tech's Position](image)
time perspective, also captured in figure 7-5. This is an aspect which was mentioned in the context of planning in the framework, and briefly discussed in section 7.2. On one hand, Lasse and John stress that they are quick at making decisions; they want to take action fast. On the other hand, they have a long-term perspective when making these decisions. This is also explicitly stressed by John when claiming:

"Consequently, we don’t work blindly and short-sightedly. But we have very short decision-making paths.”

John, May 2005

To me, it appears as if these two tensions have the character of a duality. They do not reflect an option between the two opposite poles. Rather, included elements exist side by side, complementing each other. This is illustrated by positioning Family Tech (“F”) on both sides. In the case of Family Tech, the actors further seem to be quite satisfied with the current processes. The interviewees do not express any ambitions or needs to put more emphasis on either element within the two dualities. Similar to Soft Tel, decision-making at Family Tech can be visualised as in figure 7-6.

![Figure 7-6: Balancing Decision-Making Dualities at Family Tech](image)

The picture illustrates the idea that the actors at Family Tech have managed to create a decision-making process which is well-balanced, being based on complementary elements. Family Tech’s decision-making is in other words characterised by ‘both-and’, if considering these new opposing elements.
7.4 Accounts on MCS and Organisational Control at Family Tech

7.4.1 Exclude Delegation of Responsibility

One aspect discussed in connection with organisational control, was the question of the employees’ responsibilities. In chapter 2, I made a distinction between a formalised kind of delegation, involving the creation of responsibility centres and being based on accountability, and an informal kind being based on trust and commitment. This last principle was argued to be reflected in the notion of ‘shared management’ (cf. Jelinek and Litterer, 1995).

In the case of Family Tech, there are several indicators of centralisation and little of delegation of responsibility, when having the focus on management control systems. It does not mean that Family Tech’s departments – and their respective members – have no responsibility. Most likely they have, particularly with respect to the operational work. This is also indicated by Bo, when he describes his role as production manager. However, the kind of responsibility which is reflected in a management control system is rather absent at Family Tech.

It is therefore not astonishing that the actors’ statements incorporate neither accountability nor trust. With one exception possibly – which will be returned to – they do not discuss in these terms. Management control systems are not really used for organisational control. It is not used for influencing the behaviour of the employees, with the aim of implementing organisational goals and strategies. It means that neither middle managers nor their subordinates have to formally report to the superiors, and account for the activities and status in relation to targets. This may be argued to indicate that the management trusts the employees, even if not discussing very much in these terms. At one occasion, Lasse touches upon the issue of trust when I ask how he controls Family Tech’s agents. How does he know that the agents do what they should do? To this question he answers:

“I constantly keep in touch with our agents around the world. And it is not difficult. It is the same as with our own sellers. They have responsibility. Freedom with responsibility, you could say.”

Lasse, May 2004

The agents are trusted to have a kind of freedom, as long as it is obvious that they fulfil their obligations and responsibilities. In the answer he also indicates that control is done through personal contacts and informal talks. This in its
turn may indicate that accountability may be conducted more informally, by talking to agents and sellers. A lack of formal accountability does then not necessarily mean that employees are trusted. It is for example sometimes stated that small firms sometimes are characterised by direct control, in the meaning of closely watching subordinates’ activities. However, if this is the case at Family Tech is difficult to tell. What can be concluded is that management control systems are not really used for organisational control, which makes the issues of accountability and trust irrelevant to discuss from this perspective. It could possibly be suggested that management control systems are used by e.g. Lasse for making himself accountable to his staff or to the board of directors. It may also be used for creating trust and for gaining support for his suggestions and decisions.

Shared management is not only based on trust but also on the idea that employees by themselves take responsibility for contributing to overall company-goals, irrespective of formal positions and authorities. They all act as managers, in this sense. The question is then if there are any signs of shared management in the case of Family Tech. If once again addressing the financial responsibility, it is a matter for primarily the top management, i.e. Lasse and John. Let us first consider the financial goals. Even if Lasse shares this piece of information with the employees, these goals are nothing that he vividly proclaims as something that they together should reach. Actually, these goals are more of management goals. They are not presented as company goals in the sense of concerning all organisational members.

Talking to Lasse, I also realise that he and John carefully keep track of the outcome, by studying the monthly reports. However, these reports are not distributed or made available to others within the organisation. As was described in section 6.4.1, Lasse – or somebody else – does not go through the reports systematically during the management meetings or staff meetings. The same relates to single pieces of information. There does not appear to be any piece of information – from these reports nor from their projects reports – that are regularly made available and distributed throughout the organisation. As was indicated in previous chapter (section 6.4.2), the reason for this is to not worry the employees. In his way of answering, Lasse suggests that bad prognoses – in relation to set targets – may be discouraging. Therefore, they do not "tell them everything" (see section 6.4.2), with respect to targets and outcome.

Once again then, interviewees’ statements indicate that these matters are mainly a concern for top management, and likewise the owners. Hereby, it can be argued that the use of management control systems reflects a centralised structure with respect to financial responsibility. Even if the employees most certainly contribute to the performance of the company, by for example doing a good job, they are not really made participative in the financial performance of Family Tech. It can therefore also be argued that there is little evidence for
Analysing the Use of Management Control Systems at Family Tech

shared management as well in the use of management control systems, since the employees are not involved in these issues.

7.4.2 Point at Integration and Flexibility

A formal kind of delegation, and the creation of responsibility centers, was also argued to lead to a separation in space. Also the design and use of management control systems – e.g. a reward system – may reflect a spatial separation. Such control systems may create organisational boundaries, which are difficult to overcome. In the case of Family Tech, we see little of such tendencies. First of all, the departments have no financial responsibility of the kind that e.g. cost centres have. No budget is prepared which states the costs for each department. The budget which Lasse is sketching is an aggregated budget which only holds costs and revenues for the company as a whole. Consequently, the departments and department heads have no expressed obligation to keep the budget. Actually, they do not seem to have any explicit targets or goals that they should try to fulfil. When I ask Lennart if there are any specific targets for single departments, he answers:

“Nothing that we have written down. Rather, it [the goal] is really that each department runs smoothly.”

Lasse, May 2004

All targets – or ambitions – are formulated as company goals and are not broken down into departmental goals. There is neither a formal reward system linked to a specific group. Rewards – e.g. a cake – are mostly given to all employees. All members at Family Tech are in other words celebrating together when the company – or a single person or department – has accomplished something good. The use of management control systems for organisational control, or rather lack of use, supports organisational integration.

When describing Family Tech, several interviewees bring out the familiar atmosphere. Family Tech is like a family, they suggest. Lasse stresses at several occasions that the organisation is characterised by ‘open doors’. Anyone can – almost at any time – enter his office and discuss small or large matters. He also emphasises the importance of having coffee breaks together, all organisational members. Therefore, they have fixed coffee and lunch breaks and only one lunch room, where all organisational members can get together. Also such aspects can be argued to support organisational integration.

Another aspect that was discussed in relation to organisational control was the aspect of rigidity/flexibility in the use of e.g. performance measurement and reward systems. A rigid use was argued to be based on a traditional feedback model, and characterised by a low tolerance for deviations from set targets.
Here, we can imagine a formal reward system that holds predetermined criteria for rewards. Such a system can be argued to be based on the idea that it is possible to decide in advance what a good performance is, and what should be rewarded. From an entrepreneurship perspective, this is inexpedient. It may be that a good accomplishment turns out to be to not fulfil preset criteria. Therefore, an alternative is a more flexible use and attitude towards performance. Having no budget and only loose ‘ambitions’, it can be argued that such a rigid use is unfeasible. How can you compare outcome in relation to targets and reward performance based on goal fulfilment, if you do not have any preset targets? Most likely, Lasse and John have these ambitions in mind when reading the reports and analysing the outcome. But they do not systematically compare budgeted figures – or stated targets – with the outcome. Furthermore, a deviation from targets does not really lead to any corrective measures or actions. And the performance of departments or people is not evaluated and rewarded based on the fulfilment of preset targets. However, having the project costing system in mind, there is – for each machine – a project estimate. Statements from e.g. John and Bo reveal that the actual outcome is compared with the estimate, quite carefully. This is for example indicated by John, when I ask him what kind of information he looks at. He then answers:

"It is really the cost report that is... Yes, even the estimate. We determine how much it [a machine] should cost [to produce], and then we look at the outcome.”

John, May 2004

Here then, we could possibly talk about a feedback model. However, the comparison between estimate and outcome is not used for controlling the subordinates. A deviation neither seems to cause any immediate corrective actions.

From the description in section 6.4.3 – which dealt with rewards at Family Tech – we can also state that the company do not have a formal reward system. When I for example ask Sara about rewards, she refers to the smallness of the company and explains that there is no formal reward system at Family Tech. Instead they may buy a cake if someone has a birthday. It is “this kind of familiarity”, she says. Also Lasse confirms the lack of formal rewards. He explains that they all may celebrate with a cake on special occasion, for example when someone has a birthday or when the sales department has received a big order. In the last example, it is the performance of the company as a whole that is rewarded. And all employees receive the reward. He also explains that the management has decided to make separate payments to employees after periods of arduous work. It is a behaviour that is rewarded, a willingness to help in a stressful situation. Both these ways of rewarding, with a cake or with separate
Analysing the Use of Management Control Systems at Family Tech

payments, can be argued to reflect a flexible system. It is flexible in the way that it is not determined in advance how many cakes they are going to buy during a period. It depends. It is further flexible in the sense of not being based on specific predetermined criteria. There is neither any overall principle for the incentives. When, why and who is determined currently and when Lasse – or someone else – sees a reason for making a reward.

7.4.3 Reveal a Restrictive Interactive Use

When developing the framework, I argued that management control systems can be used either diagnostically or interactively. Referring to e.g. Simons (e.g. 1995), I also clarified that an interactive use is brought forward as an alternative when striving for entrepreneurship and renewal. A diagnostic use was characterised by a low involvement from superiors, as long as targets are fulfilled. It has therefore linkages to the feedback model, which was described in relation to a rigid use and attitude towards management control systems. An interactive use – on the other hand – is characterised by a more active involvement from superior managers. Information provided from the system is discussed, not only reported. The aim of these discussions is thus to learn and to find opportunities, not to evaluate the performance.

Listening to the actors at Family Tech, there is a kind of interactive use, even if a limited one. It is limited in two different ways. First, when Simons (see e.g. 1995) talks about interactive use he focuses on the relationship between superiors and their subordinates. Consequently, the involvement from the superior manager becomes a central issue. At Family Tech, management control systems are something that mainly concerns the top management, in this case Lasse and John. It means that the interactive use is limited to primarily Lasse and John, and to some extent also to Bo. Accordingly, an interactive use is nothing that characterise the use of management control systems in the relationship between managers and subordinates. When I explicitly ask Lasse who he discusses the accounting reports with, he mentions John and Sara. I understand that he talks to Sara since she has access to underlying material and data. This is also confirmed by Sara. She explains that Lasse may ask for more information, particularly when a project cost report shows a loss. However, she indicates that it is Lasse and John who discuss and analyse the information, even if she may be asked to provide more information. When it concerns the project costing system, Bo may also be involved in these discussions.

Second, the interactive use can be understood as limited since the information which the management control system provides does not cause very much discussion and dialogue. According to Sara, the monthly report seldom holds any surprises, particularly not to Lasse who approves all invoices. One reason for discussing the monthly report – which is mentioned by the
interviewees – is to determine if the financial situation tolerates further investments, for example investments in new projects. Otherwise, Lasse and John simply keep an eye on their expenditures, so these are kept under control. Listening to Sara, it seems like the project costing reports cause somewhat more questions and discussions. This is also indicated by Lasse and John, since they both emphasise this piece of information. However, the overall aim of these discussions is not to stick to the estimate or to find corrective actions. The aim is rather to find an explanation for a deviation, in order to learn for the future. It may be that they can improve production processes. Lasse gives an example. He clarifies that a machine which has been produced previously should not require much time in construction. If the project cost reports still show that such a machine has caused construction expenditures, then the production workers probably have used deficient drawings. Then these drawings have to be improved till next time a similar machine is produced. Also Bo discusses in these terms (see 6.5.2). Another reason for discussing the reports is to determine if a project should be closed down or not. John explains that he may decide to end a project due to escalating expenditures for research and development.

There is more of an interactive use of the accounting reports, than of a diagnostic kind of control. However, this interactive use can be understood as limited, based on described reasons.

7.4.4 Balancing Organisation Control Tensions at Family Tech

To depict and interpret the balancing act – with respect to management control and with a focus on management control systems – is quite difficult in the case of Family Tech, at least according to the framework presented in chapter 2. Here, a tentative conclusion may be that the framework is not well suited for organisations of Family Tech’s size. The original framework is based on the assumption that organisational control is performed at a distance and by formal systems. It is further based on the idea that management control systems are incorporated in the processes of organisational control, and that there is a delegation of financial responsibility. This is not the case at Family Tech. It is also interesting that the Lasse and John justify the limited use of management control systems quite clearly in the case of planning and decision-making. However, when discussing those issues that I relate to organisational control, they do not really explain a limited use of and attention to management control systems. This may indicate that the alternative to incorporate management control systems more into the control practices, and to extend the employees’ involvement in and responsibility for financial matters, have so far not been a burning question; nothing that they had really considered much.
If not using management control systems for organisational control, for what are accounting reports and performance measures used? It can possibly be stated that Lasse and John use them in order to control themselves and their performance. As discussed in an above section, some of Lasse’s statements indicate that he regards it as his obligation to fulfil set targets. Another answer to that question can be found in Davila’s article (2000) and in his distinction between two different purposes of management control systems; the controlling and the informing purposes. Davila suggests that systems such as management control systems can be used as either an information tool or as a control tool. His study also suggests that management control systems’ main role in development processes – which he focuses on – are to supply information, and not to coordinate and to reduce goal divergence. This can be argued to also be the case at Family Tech. Monthly reports and accounting measures are mainly for information purposes. Both these answers explain why some parts of the framework are not very useful when analysing management control practices at Family Tech. Interesting is also Davila’s suggestion that most arguments, which claim that these kinds of systems have a negative impact on product development, are based on the assumption that they are used for control and coordination. Davila’s study indicates that when used as an information tool, such detrimental effects may not be the case. If transferring this reasoning on Family Tech, it may be understandable why no clear tensions are seen, either in suggested tensions or in related ones. One tension – linked to the information purpose – may possibly be found in the aspect of information sharing. To what extent should accounting information be shared? Or is it a matter for managers only? Such a tension is illustrated in below.

We can conclude that Family Tech seems to lean somewhat more towards the left side, which the “F” signals. So far, most accounting information is kept for the top management. Even if Lasse stresses that he of course shares this piece of information with his employees if they ask for it. However, set targets and accounting information are not systematically distributed to the employees.

According to my interpretation, it can further be suggested that the above tension has similarities with a trade-off. It is a question of finding a suitable position in a continuum between the two end-points. Considering Family Tech’s position and the character of the tension, its balance can therefore be portrayed as in figure 7-7.
In the case of Family Tech, the original framework works quite well when analysing the actors’ statements regarding the use of management control systems in planning and decision-making. In many respects, the actors reason according to both opposing elements within suggested tensions. When describing actual practices at Family Tech, they – particularly Lasse and John – discuss much in terms of right-hand elements; elements which are based on entrepreneurial ideas and principles. At the same time, they reason in accordance with the other side of suggested tensions; in accordance to more traditional ways of reasoning in respect to planning and decision-making. In these statements, it is revealed that Lasse and John have an idea about what an appropriate use of management control system is, according to accountants and according to theoretical models and ideas. Such a use is more extensive and more systematic, than the one I will find within Family Tech. They justify this by emphasising that neither of them are accountants. John, for example, starts the interview by clarifying that he has no education in accounting and finances. Lasse, on his part, emphasises that he and John are technicians, not accountants. John further claims that Family Tech has engaged in projects, which an accountant never would have accepted. Hereby, he indicates that an accountant only would accept projects which show a positive net value. In their answers, Lasse and John indicate that an accountant would make more careful analyses than they do, before making any investments.
They also justify the limited use of management control systems, by referring to the way of running the business. They for example stress that they are eager to catch new opportunities. "It is the opportunity which makes the thief", as John expresses it. And why prepare detailed plans when you can not really predict what is going to happen, they suggest. It seems that they refer to an entrepreneurial way of running the business, when explaining a limited use of plans and careful analysis. As mentioned, Lasse even explicitly claims that he and John are entrepreneurs, when justifying their way of making decisions.

Accordingly, John and Lasse relate a proper use of management control systems with another type of management than they are practising. In this sense, they discuss according to original tensions. At the same time, they indicate that they have no intention to adopt the kind of principles that left elements are based upon. From this point of view, it can be argued that original tensions do not capture the kind of challenges which they are confronted with. The original tensions are too distant from practices within Family Tech. Therefore, I suggest a number of new tensions which illustrate management control challenges at Family Tech.

Regarding organisational control, the situation is very different. Included tensions are hardly applicable at all, and it relates to both opposing elements. Being still relatively small, John and Lasse have not yet delegated the kind of financial responsibility which the framework is based upon. So far, they do not seem to have thought in these terms; of including the employees in the use of management control systems or by influencing the employees with a more extended use of these systems. It explains why neither Lasse nor John reason in these terms:

There are then reasons to complement the original framework by presenting somewhat different tensions than the original ones. Hereby, we get a more extended picture of the circumstances at Family Tech, regarding management control challenges. In previous sections, I have also introduced new opposing elements. The kind of changes which has been done – in relation to the original framework – differs between management control processes and individual tensions. If starting with planning, one tension is quite similar to the original one (tight/loose). It has only been specified somewhat. Within the other planning tension, the use of management control system is put as one opposing element, instead of a rational process which they do not want to perform. When it concerns decision-making, some of the original left elements are replaced by one which is not so far apart from intuition and feeling. Here, we can also find a new tension which stresses the time-perspective; an aspect which was discussed in relation to planning and organisational control in the original framework. Regarding organisational control – lastly – a totally new tension is introduced, which goes back to an information purpose of management control systems. As has been argued, at Family Tech accounting information is primarily used for
informing, and not for controlling subordinates. Since suggested changes are different in character, it is difficult to make any general reflections.

The idea behind presented tensions is that they reflect a management control tension which has to be balanced. But what characterises these tensions in the case of Family Tech? Similar to the changes discussed above, the tensions in question are different in character. All four types – which were elaborated on in chapter 2 – are present in Family Tech (see table 7-1).

**Table 7-1: Summary of Management Control Tensions at Family Tech**

<table>
<thead>
<tr>
<th>Process</th>
<th>Elements</th>
<th>Character</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning</strong></td>
<td>Use of formal planning systems</td>
<td>Emerging and informal planning</td>
</tr>
<tr>
<td></td>
<td>Tight in design</td>
<td>Loose in use and meaning</td>
</tr>
<tr>
<td><strong>Decision-making</strong></td>
<td>Quick and simple estimates</td>
<td>Intuition and conviction</td>
</tr>
<tr>
<td></td>
<td>Long-term perspective</td>
<td>Immediate action</td>
</tr>
<tr>
<td><strong>Organisational control</strong></td>
<td>Information a management concern</td>
<td>Sharing information with employees</td>
</tr>
</tbody>
</table>

The first tension seems to be an example of a dilemma. Here, Lasse and John are standing in front of a difficult option. If they choose to use a more formal planning system – which they see the need of since the company is growing – they have to abandon the emerging and informal planning. These two elements are, in other words, not compatible. The second one I label a paradox. Both elements are present and make sense, at the same time. Particularly some of the targets can be described as both tight and loose, depending on the meaning. Here then, my suggestion is that we can see a somewhat different kind of balance; a balance where tightness in design is balanced by looseness in use and meaning. Continuing with decision-making tensions, they have similarities with a duality. Here, it is not a question of choosing side. Instead, the challenge is to have a reasonable level of both, since they complement each other. Regarding the last tension, it is the only one which can be understood as a trade-off. The challenge is then to find a suitable position in a continuum between two poles.
8 Balancing the Use of MCS – A Comparative Analysis

8.1 Introduction

Previous chapters have described management control systems in two entrepreneurial organisations and interpreted uses and ideas in accordance with the presented framework of management control tensions. The aim of this chapter is to go beyond the single company and to achieve something more theoretical than two interpretations of empirical material. The aim is to come closer to theory, or to what Alvesson and Sköldberg (1994) call ‘deep structures’. This will be done by looking for patterns in empirical observations and interpretation, as well as in relation to conceptual models and theoretical ideas.

The chapter starts by comparing observations from both organisations, in relation to the three management control processes which were elaborated on in previous case-specific chapters. When comparing observations, I look for both differences and similarities, with the aim of increasing our understanding of the use of management control systems in entrepreneurial organisations. The comparison addresses several different aspects related to the balancing framework and to formulated tensions. First, I compare the companies regarding the use of management control systems in relation to the original framework. If interpreting the use of management control systems in accordance with the framework, what differences and similarities between the companies are then highlighted? In previous case-specific sections I have further introduced new tensions – next to the original ones – that I argue add to our understanding of the use of management control systems and related balancing efforts within the companies. These new tensions involve a second and a third possibility for comparison. First, they are compared regarding the contents, in other words with a focus on the opposing elements which make up a tension. Secondly, these new tensions are also compared between the companies regarding the character of them. This aspect addresses the question on how tensions are approached and dealt with. What are the differences and similarities between the companies regarding this aspect?

Thereafter, my aim is to understand some of the differences – and similarities – between the companies in question. Here, I return to those overall tensional requirements which were introduced in the introductory chapter and discussed
in relation to medium-sized growing companies. In chapter 1, I suggested that managers in medium-sized growing companies stand in front of tensional requirements. At the same time as trying to maintain and improve entrepreneurial activities, managers also have to formalise and systematise management processes. What do such overall tensional requirements mean and involve in the case of Soft Tel and Family Tech, respectively? In order to answer that question, I discuss the meaning of corporate entrepreneurship in relation to studied cases. Thereafter I discuss their respective situations as medium-sized and growing companies. These aspects – related to entrepreneurship and growth – explain mentioned tensional requirements in more detail and in relation to each company. In this context, I also make some comparisons with Roxtec. It represents a third picture of those overall tensional requirements related to growth and entrepreneurship, and therefore it increases our understanding of Soft Tel and Family Tech.

The aspects of entrepreneurship and growth may not only explain some observed differences between the use of management control systems at Soft Tel and Family Tech. They may also explain why some parts of the original framework are not really reflected in the use of management control systems in the two companies.

Lastly, it can be clarified that the main part of the chapter is devoted to the comparison between the companies, including Roxtec to a minor extent. However, in the chapter I also make some comparison between the three management control processes which are addressed in the framework, i.e. planning, decision-making, and organisational control. Here, I particularly focus on the character of the tensions. Can we see any differences or similarities between the processes and their tensions regarding this aspect?

8.2 Management Control Tensions in Two Entrepreneurial Organisations

8.2.1 Comparing Planning Tensions

In section 5.2.6 I positioned Soft Tel towards the left-hand side in each continuum, between the original opposing planning elements. I argued that managers’ use of – as well as motives for using – management control systems mainly reflects ideas related to instrumentality, formality, tightness and separation in time. I could observe traces of right-hand elements in some of Soft Tel’s management control systems, e.g. in the program plan. Still, few descriptions of and explanations for the use of these systems are based on
principles related to an emerging planning, to informality, looseness and integration in time.

The situation is quite different in Family Tech, where the actors reason much in terms of the right elements. Here, we encounter a planning model which can be understood as an emerging, informal, loose and integrative one. We can also conclude that formal planning systems are associated mainly with the opposing elements, found on the left-hand side. Therefore, the actors justify a limited use of management control systems by referring to the kind of emerging and informal planning which they practice. According to them then, the use of formal planning systems fits badly with Family Tech’s planning practices and with their own planning ideas. Considering this, the companies can be positioned differently in the continuum between suggested planning elements, as illustrated in figure 8-1 (cf. section 5.2.6 and 7.2.5).

\[
\begin{align*}
\text{Instrumental} & \quad \text{S} \quad \text{F} \quad \text{Emerging} \\
\text{Formal} & \quad \text{S} \quad \text{F} \quad \text{Informal} \\
\text{Tight} & \quad \text{S} \quad \text{F} \quad \text{Loose} \\
\text{Separative in time} & \quad \text{S} \quad \text{F} \quad \text{Integrative in time}
\end{align*}
\]

**Figure 8-1: Original Planning Tensions and the Companies’ Positions**

These positions point at differences between the companies in the managers’ reasoning and use of management control systems in relation to planning. However, the exercise of positioning the companies in a continuum between original elements can be elaborated on for two reasons. First, I have argued that suggested tensions do not really capture managers’ planning challenges. Even if I find it possible to analyse the statements in relation to original elements, the managers themselves do not always discuss in these terms. This conclusion relates to both companies. Therefore, I have suggested some alternative tensions which are closer to the managers’ own ways of describing the use of management control systems, as well as the motives for using (or not using) them. A second reason for questioning the positions in figure 8-1 is that it is not always appropriate to illustrate tensions as a continuum between two end poles.
Regarding the new planning tensions which I bring forward in chapter 5 and 7, they point at differences— as well— between the companies and the managers’ use of management control systems. In the case of Soft Tel, I introduced two new tensions.

- **Rigidity in planning** vs. **Flexibility in planning**
- **Complex procedures** vs. **Simple procedures**

Soft Tel’s managers do not question the rational and formal planning process. But they try to keep the procedure simple, and they try to have a flexible attitude towards planning and planning processes. The managers at Family Tech have a very different planning model and philosophy; more of an emerging and informal planning type. They also suggest that the use of management control systems is incompatible with this kind of planning. At the same time, there is a need of formal planning systems at Family Tech due to its growth. In line with this reasoning I formulated the following tension in section 7.5.2.

- **Use of formal planning systems** vs. **Emerging and informal planning**

To continue, management control systems at Family Tech can be discussed and understood as both tight and loose; two elements in an original planning tension. Some of the goals are tight in the sense of being distinct and measurable. At the same time, interpreting how managers approach and use these goals, they can be understood as loose, being ‘only’ ambitions and not commitments that have to be fulfilled. In order to clarify in what respect goals and plans can be regarded as tight or loose in the case of Family Tech, I changed the original tension somewhat (see below).

- **Tight in design** vs. **Loose in use and meaning**

The focus has so far been on the contents of management control tensions, or more specifically, on the opposing elements which make up a planning tension. It should be stressed that these new tensions, presented above, are empirically
derived. Being so, the opposing elements – which make up a new tension – do not always represent two exact opposites. An example is the tension between a formal planning system and an emerging and informal kind of planning. These elements do not represent each other’s antithesis. But they do constitute two elements which cause some concern for the managers at Family Tech and which have to be dealt with, in some way or the other.

Another interesting issue relates to the character of a tension. I clarified in previous chapters that opposing elements of the kind that I bring forward can be discussed in terms of dilemmas, trade-offs, dualities, and paradoxes. An overall conclusion, from the case-specific chapters, is that the character of planning tensions varies between the companies.

Starting with Soft Tel and its planning tensions, I argued in chapter 5 that these tensions have the character of a trade-off. As such, the tensions can be likened to a seesaw where the crux is to find an appropriate point at the continuum, e.g. between rigidity and flexibility. It also means that it is possible to position Soft Tel between the opposing elements, as done above. In the chapter, I also argued that the actors at Soft Tel seemed to be satisfied with the present practices, which indicates that they have managed to identify an appropriate point, and thereby have created a neat balance between the opposing elements. It explains the position of “S” in the middle of the continuum between the elements. This relates at least to Soft Tel’s internal planning processes. When it concerns planning processes and systems which are determined by the head office, we can see a tilt towards rigidity and complexity. At Family Tech, the first planning tension has more the character of a dilemma. Planning and the use of management control systems involve a difficult choice. Regarding the second tension I interpreted it as a paradox; a tension which can be understood in terms of both opposing elements at the same time. I also suggested that managers at Family Tech have created a balance in the use of management control systems in planning, by balancing a tight design with a loose use and meaning.

On an overall level, it can be argued that Soft Tel and Family Tech differ in two respects when it concerns planning and the use of management control systems. First, they differ in the way their managers use and reason, in relation to the original framework. The actors at Soft Tel discuss more in terms of the left elements, whereas Family Tech members lean towards the right side in their use and reasoning. Second, the companies also differ in respect of confronted challenges related to planning and the use of formal planning systems, which the newly formulated tensions point at. This last difference relates both to the content and character of the tensions. A similarity between the companies is that the managers seem satisfied with the present use of management control systems. They have in other words managed to create a neat balance between suggested elements; even if done in different ways.
8.2.2 Comparing Decision-Making Tensions

Decision-making is similar to planning when considering which side the companies lean towards. As with planning, the use of management control systems in decision-making can be understood much in terms of the left elements at Soft Tel. And when it concerns Family Tech, decision-making processes are described according to principles related to mainly right-hand elements; also similar to planning. This is also pictured in figure 8-2, where each companies has nearly the same position as in previous case-specific sections on planning (see 5.3.3 and 7.3.4).

\[\text{Rational} \quad \text{S} \quad \text{F} \quad \text{Intuitive} \]
\[\text{Profound} \quad \text{S} \quad \text{F} \quad \text{Shallow} \]
\[\text{Formal} \quad \text{S} \quad \text{F} \quad \text{Informal} \]

**Figure 8-2: Original Decision-Making Tensions and the Companies’ Positions**

In the context of decision-making I also suggest new tensions which add to our understanding of the use of – and motives for using – management control systems. In the case of Soft Tel, these new tensions were:

\[\text{Rational analysis} \quad \text{Agreement} \]
\[\text{Profound} \quad \text{Fast and simple} \]
\[\text{Formal procedure} \quad \text{Spontaneous talks and meetings} \]

Interpreting the use of management control systems in decision-making at Soft Tel, a similar tension appears as described in the context of planning. A procedure which is quite formal and profound, before making a decision about a new investment, appears. A procedure which is comparable to the planning process previously described. Simultaneously, they seem to be fast in decision-
making. So far, managers at Soft Tel have managed to remain flexible and fast through informal communication. However, as the company has grown the managers have lost some of the closeness and familiarity which make informal communication easy to bring about. This can then be seen as a major management challenge for Soft Tel in the future. Interesting is also that formalisation, which can be assumed to make an organisation slow and heavy, is used the opposite way at Soft Tel. Formalisation – to a limited extent – is seen as a prerequisite for being quick in acting. Similar reasoning is found also in Family Tech, and particularly in Roxtec (see Lövstål, 2001). It is suggested that formalisation makes routine tasks simple to perform, since it clears away ambiguities. This observation can possibly be understood if relating it to the companies’ size. As clarified, the companies are medium-sized businesses, and accordingly in a different situation than often assumed in corporate entrepreneurship literature. Formalisation is not perceived as something that slows the companies down. Rather – and in the case of small and medium-sized businesses – a lack of formalisation makes them disorganised and unfocused. However, it is explicitly stressed from several actors – particularly at Soft Tel – that it is important to keep procedures and structures simple.

These three tensions are not totally different from the original ones presented above. Rather, the changes can be seen as minor specifications, which make the right-hand side more applicable on Soft Tel. Regarding Family Tech, corresponding tensions were presented in the following way in section 7.3.4:

![Tension Diagram]

The first tension is also close to the original framework, even if it is slightly changed in order to reflect decision-making and the use of management control systems at Family Tech. The second one – on the other hand – has no counterpart within the original framework. Except from this one, I claimed in chapter 5 and 7 that presented case-specific tensions are similar to the original ones. It means that I – when analysing and interpreting the interview material – found the original opposing elements more applicable on decision-making than on planning. In this respect, decision-making also differ from organisational control which will be discussed later. In addition, it appears that ideas and practices related to decision-making are more analogous between the companies than within planning and organisational control. Actors from both companies
do for example discuss in terms of promptness and simplicity, even if these aspects are put on opposite sides within the above tensions. The element ‘immediate actions’, which is found in one of Family Tech’s tensions, has also connections to fast decision-making and spontaneous meetings as discussed in relation to Soft Tel.

Accordingly, the content of the suggested elements in decision-making can be argued to be quite alike between the companies. A similar reasoning can be applied on the character of the tensions. Regarding decision-making, I interpreted these tensions as dualities in both companies. It means that the actors at Soft Tel and Family Tech describe similar balances. A duality is different from a trade-off since it does not involve an option. According to my interpretation, Soft Tel and Family Tech have several processes and systems which are complementary and that reflect both elements of suggested tensions. Besides, actors within the companies express a contentment regarding the present decision-making practices. A future challenge for Soft Tel is though to retain those processes in which the right elements – such as simplicity and spontaneous meetings – are found and nurtured.

Similar to planning, Soft Tel is positioned towards the left side of the original framework when it concerns decision-making, whereas Family Tech can be found on the right side. However, decision-making is different from both planning and organisational control in two respects. First, the original framework turned out to be more applicable on decision-making than on the other two processes. The original tensions are – in other words – more close to the managers’ own way of describing decision-making practices and ideas. Second, discrepancies between the companies are more prevalent when it concerns planning and organisational control, than in decision-making. It relates to both the content and character of the tensions.

8.2.3 Comparing Organisational Control Tensions

Regarding organisational control, managers at Soft Tel discuss very little in line with the right side of these tensions. Instead they discuss mainly according to a traditional feedback model, reflected in e.g. a tight and diagnostic use. The actors’ use of management control systems further reflect formal principles of delegation, characterised by accountability and spatial separation. Therefore, Soft Tel was positioned on the left side of the original framework, as illustrated in figure 8-3.
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- Formal accountability
- Separative in space
- Rigid
- Diagnostic

Informal sharing
Integrative in space
Flexible
Interactive

Figure 8-3: Original Organisational Control Tensions and Soft Tel’s Position

However, they signal at the same time a type of moderate and flexible attitude to the feedback model. Even if an overall aim is to keep plans and reach targets, it is not done blindly. Plans and targets, as well as performance measures, are revalued in new situations and circumstances. Participation within the control process, as well as informal and boundary-crossing meetings and groups, are additional elements which work in the other direction. Therefore, I suggested a new tension for organisational control at Soft Tel; a tension which highlights a balancing between top control and decentralisation/participation. I interpreted this issue as an important one for understanding organisation control at Soft Tel; an issue which was not really captured in the original framework.

Top control
Decentralisation and participation

Turning the attention to Family Tech, my interpretation of organisational control, is that the company has not yet reached the stage of growth which involves decentralisation and a more distant and formalised form of control and coordination. So far, managers have been occupied with formalising Family Tech’s procedures and its organisational structure. This aspect explains why the tensions related to organisational control – which in many respects are focused on the employees’ involvement and responsibility – are difficult to use when interpreting management control in Family Tech. It explains why I have not – in figure 8-3 – positioned Family Tech between the original opposing elements. Accordingly, Family Tech’s balancing issues which are related to the use of management control systems do not incorporate the organisational control
purpose. However, as suggested in chapter 7 (see 7.4.4), a relevant tension for the managers at Family Tech is related to the informing purpose of management control systems. As described, accounting reports and accounting information is primarily used for receiving information about e.g. business progress. This, together with the suggestion that accounting and financial issues are perceived as a matter primarily for management, made me formulate the following tension:

**Information a management concern** \(\rightarrow F \rightarrow \) **Sharing information with employees**

To summarize: observations related to organisational control are quite divergent between the companies. At Soft Tel, the managers use management control systems according to a traditional feedback model. And they do not question this model. In its case, the challenge is to balance between top control and decentralisation/participation within this feedback model. In the case of Family Tech, managers do not use management control systems for organisational control, or at least not as organisational control is addressed in this thesis. Lastly, there is one similarity between the companies regarding organisational control. Both tensions appear as trade-offs. The challenge is to find an appropriate position between two opposing poles. In the case of Soft Tel, these poles are top control and decentralisation/participation, whereas Family Tech hovers between information as a management concern and sharing information with employees. Being trade-offs, I also find it possible to place Soft Tel (“S”) and Family Tech (“F”) in the line between suggested opposing elements. Here, I suggested that there – at present – may be a tilt towards the left element in both cases, which the positions also indicate.

8.2.4 Comparing the Use of Management Control Systems – A Summary

One thing that has been noted, comparing the companies, is that there are differences with respect to how managers’ use and reason upon management control systems. When the managers describe their companies’ management control systems and ideas behind these systems the statements point at disparate management control tensions and balancing efforts. Even if there are some similarities between the companies, the managers of the two companies express different ideas and different ideal images of management control. Besides, several tensions vary both with respect to opposing elements and the character of the tensions. Regarding the content of suggested tensions, it has been visually
summarised in previous sections. An analogous summary of the character of suggested tensions are presented in table 8-1.

Table 8-1: The Character of Management Control Tensions

<table>
<thead>
<tr>
<th></th>
<th>Soft Tel</th>
<th>Family Tech</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning tensions as...</td>
<td>Trade-offs</td>
<td>Dilemma</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paradox</td>
</tr>
<tr>
<td>Decision-making tensions as...</td>
<td>Dualities</td>
<td>Dualities</td>
</tr>
<tr>
<td>Organisational control tensions as...</td>
<td>Trade-off</td>
<td>Trade-off</td>
</tr>
</tbody>
</table>

As the table 8-1 reveals, there are some differences between the companies regarding the character of suggested tensions. However, the table also point at some similarities. Starting with similarities, decision-making tensions are interpreted by me as dualities in both companies. This relates to all five tensions which were suggested in relation to Soft Tel’s and Family Tech’s decision-making practices. Regarding the character of these tensions then, we see conformity not only between the companies, but also between the five tensions. When interpreting them as dualities, the opposing elements are both contradictory and complementary, as previously explained. A second similarity between the companies concerns organisational control tensions, which are in both cases interpreted as trade-offs. However, here it should be remembered that the two tensions in question are quite different if considering the content, being based on either a control or an information purpose. Still, and when it concerns organisational control tensions, it seems to be a question of finding a proper position in a continuum between two end poles. They seem to be trade-offs, in other words. The differences between the companies can be found in suggested planning tensions. In the case of Soft Tel, two planning tensions are interpreted as trade-offs, similar to organisational control tensions. In the case of Family Tech, no planning trade-off can be found. Instead, I interpret one as a dilemma, involving an impossible choice between to opposing alternatives. The other one is labelled a paradox, since planning can be understood in terms of both elements – at the same time.

Another interpretation which I make from the above table and its content is that the managers at both Soft Tel and Family Tech in many respects reason unlike the actors at Roxtec. As has been clarified in e.g. chapter 1, observations from Roxtec constitute an important point of reference for this study and have as such affected my expectations. Observations from Soft Tel and Family Tech are therefore somewhat surprising, or at least not as expected. For example, I
expected to find more of paradoxes, as the one formulated in relation to planning at Family Tech. In the case of Roxtec, I identified a number of such paradoxes, based on the actors’ use of management control systems and their ideas and motives for using them. For example, and contrary to Family Tech, the managers at Roxtec prepared both formal long-range plans and budgets, and quite detailed ones (see Lövstål, 2001). The actors even described the company’s development as highly planned (see ibid., e.g. p. 98). When scrutinising how managers at Roxtec prepared budgets and plans, planning could be understood as instrumental and formal. However, when interpreting the meaning and use of plans and budgets at Roxtec, planning appeared as emergent and informal, at the same time. A possible conclusion is that the actors had developed a practice which reflected both sides – simultaneously. Also in another aspect is Family Tech different from Roxtec, where much focus was on the relationship between superior and subordinate. Regarding organisational control, it can be argued that Soft Tel – as well – is quite different from Roxtec. In the case of Roxtec, organisational control seems to be better captured within the original framework, for example reflecting both a diagnostic and interactive use of management control systems.

It can further be noted that the above tensions – presented in table 8-1 – reflect different time perspectives. Trade-offs and dilemmas, which are based on an either-or choice, seem to offer a static solution; a solution which is limited in time and space (cf. Janssens & Steyaert, 1999). They also signal an idea that tensions should be removed. Dualities and paradoxes reflect a more dynamic and processual way of dealing with tensions. Here, tensions are not seen as something that should be removed. Reflecting a both-and perspective, dualities and paradoxes keep tensions alive by dealing with suggested elements as a whole. Referring to e.g. Hellgren and Löwstedt (1997), it can be argued that dualities and paradoxes do not reduce complexity and ambiguity. Instead they acknowledge and deal with them.

Considering this distinction, it can be concluded that decision-making involves more holistic and dynamic solutions to identified tensions, then in the case of planning and organisational control. As declared, all decision-making tensions – both in Soft Tel and Family Tech – were interpreted as dualities. It also appears as if Roxtec was characterised by a more dynamic way of dealing with tensions in general, since a both-and perspective was more prevalent in its managers’ use and ideas about management control systems.
8.3 Overall Challenges in Entrepreneurial Growing Companies

8.3.1 Entrepreneurial Organisations are Diverse!

I have argued that analysed companies are entrepreneurial in the sense of expressing a willingness to and being good at seeing and taking advantage of opportunities; to create something new in order to strengthen and change its position on the market. They have for example, as described in chapter 3, been appointed as such by industry people in the region. The actors in the companies also express a wish to be in the front of the development within the company’s product area. Furthermore, I would claim that managers in both companies spend a lot of money, time and effort to find new solutions, for example new areas of applications or new technical solutions. Even if having this in common, the companies depict diverse pictures regarding the use of management control systems. Previous comparisons point at many differences between studied companies. However, it can also be argued that the companies vary in respect of entrepreneurship; what entrepreneurship means and how it is organised. These differences will be elaborated on in next. The reason is that different meanings of entrepreneurship involve different overall challenges and requirements. In the introductory chapter, I argued that entrepreneurial companies – that are of medium size and growing – are in an interesting situation, since their managers have to deal with both entrepreneurial requirements and requirements related to growth. These requirements will then elaborated on in next, starting with entrepreneurial-related ones. This might help us understand some of the observed differences regarding management control tensions and the use of management control systems in planning, decision-making, and organisational control processes.

To start with entrepreneurship then, it may not be an astonishing remark that the companies differ in respect of this dimension. However, it can be argued that it is not always taken into consideration. This is for example indicated by Miller (1983), who suggests that we should distinguish between company types when investigating the process of entrepreneurship and organisational factors. Even if he wrote his article for more then two decades ago, it is still common to treat ‘entrepreneurial organisations’ as a homogenous group and to provide some universal advice on how to create a supportive environment for entrepreneurship and innovation. It can also be argued that this study – so far – reflects such a simplistic view of ‘entrepreneurial organisations’.
One possibility is to differentiate organisations by focusing on degrees of entrepreneurship. This is for example done by Brazeal and Herbert (1999), who identify four types of organisations, each showing different levels of commitment to entrepreneurship. At one end of the continuum is the entrepreneurially challenged firm, which is characterised by very little or non-existent commitment to entrepreneurship. At the other end, the entrepreneurial organisation is found, showing a very high commitment. A similar reasoning, with respect to degrees of corporate entrepreneurship, is also found in studies investigating and measuring the entrepreneurial orientation of firms (see e.g. Wiklund & Shepherd, 2005). However, as was clarified in the methodological chapter, in section 3.3.1, no attempts to measure the degree of entrepreneurial orientation has been done in the study. Besides, I do not perceive the differences which investigated companies display as a difference in degree, but as a difference in type.

Another possibility is to discuss entrepreneurship in terms of who it concerns. One approach is to regard it as something that concerns all members of an organisation. Another approach is to view it as something that only a few people have to be involved in. For example, in the context of a small organisation, entrepreneurship may be seen as something that primarily the founder and owner-manager should be responsible for. In larger and research-intensive organisations, there may be an R&D department whose members are involved in the task of finding and exploiting new opportunities. This is also an aspect in Miller’s typology (1983), which addresses different ways of organising for entrepreneurship in established firms. The typology is based upon three types of firms: (1) the simple firm, (2) the planning firm, and (3) the organic firm. Regarding the simple firm, Miller argues that entrepreneurship is closely linked to and influenced by the leaders. The leaders are in other words the ones that drive entrepreneurship and innovation. Entrepreneurship in an organic firm is on the other hand more extensive. It involves many actors and departments in the organisation. It means that there are “effective and open internal communications [that] bring together those with different skills so that they can collaborate effectively on innovative projects” (Miller, 1983, p. 775). Regarding the planning firm lastly, he suggests that entrepreneurship involves “a systematic, orderly process of innovation and product-market renewal” (p. 774). Entrepreneurship is something that is planned, regular and predictable.

Another possibility is to discuss entrepreneurship according to ideas presented by Kirzner or by Schumpeter. Landström (2000) discusses and compares their respective definitions and views of entrepreneurship. In Kirzner’s mind, entrepreneurship deals with the detection of disequilibrium within the market and the solution of such. Schumpeter – on the other hand – seemed to relate entrepreneurship with the creation of disequilibrium. In the beginning of his book, Johannisson (2005) makes a similar distinction between these two
meanings of entrepreneurship, as expressed within Kirzner’s and Schumpeter’s definitions. There he suggests that entrepreneurship may involve both creative construction and creative destruction. Creative construction – reflected in Kirzner’s view of entrepreneurship – means that differences between what is offered (the supply side) and what is asked for (the demand side) are solved. The market is in other words put in order. Creative destruction means on the contrary that the market is brought in disorder and that the rules of competition within the industry are changed. Entrepreneurship in the first version can possibly also be understood in terms of reaction and problem-solving, whereas proaction and enactment rather seem to suit the last one.

If considering the above together with previous empirical descriptions, how can we describe and understand entrepreneurship in studied companies?

8.3.2 Innovative and Efficient Development Processes at Soft Tel

As clarified in chapter 4, Soft Tel was founded as a development department. In 1999, the department was transformed into a company and shortly afterwards a CEO was hired. Even if Soft Tel by now has been a limited company for a number of years, it still has the character of a development unit in some respects. It does not have any real income streams. Available resources are determined by the owners of the parent company and allocated through a budgeting process. It is also highly governed by the parent company. Budgeting- and reporting systems are for example to a large extent determined by requirements from System Ltd. Besides, development projects still have the character of commissions, either from the parent company or from customers.

If first considering that many of Soft Tel’s development projects are initiated by external actors and that the projects often have the character of commissions, it gives some hints regarding the meaning of entrepreneurship at Soft Tel. As was stressed in 4.7.1, even projects and developments that are not direct commissions are often based on a detected and explicit customer need. Accordingly, in the case of Soft Tel, it may be relevant to draw a parallel to Kirzner’s definition of entrepreneurship. Referring to Landström (2000), Kirzner viewed entrepreneurship as the detection of disequilibrium at the market and the solving of such gaps between demand and supply. In accordance with Kirzner’s view, entrepreneurship can further be understood in terms of reaction and problem-solving. Applying this reasoning on Soft Tel, its members are good at reacting to disequilibrium between customer needs and available solutions, and of solving such in a fast and creative way.

It can also be noted that the development of new releases and applications at Soft Tel is ordinary business, as was emphasised in section 4.7.1 by referring to e.g. Paul’s statement:
Therefore, I also suggested that the conflict between ordinary businesses and development projects – which is often assumed in corporate entrepreneurship literature – is not an issue at Soft Tel. Soft Tel’s development projects was further described as planned, regular and systematic, hence involving little uncertainty. It explains why it makes sense to also draw a parallel to Miller’s suggestion that entrepreneurship in some firms is related to planned and systematic processes. Miller’s elaboration of the planning firm also touches upon the who-question. Who is involved in entrepreneurial activities? The planning firm is characterised by a division between those that come up with and analyse new ideas, those that decide upon them, and those that develop them. Considering Soft Tel, a similar division can be traced. As described in chapter 4, the Product Management department is responsible for collecting and analysing new ideas about product improvements and innovations, whereas decisions are made by the management team and by project groups. Lastly, it is within the Software Development department where new product generations and applications are developed and tested.

If agreeing with the above picture of Soft Tel, it can be stated that entrepreneurship can be described in terms of reactive and creative problem-solving. It can further be argued that its success – with respect to entrepreneurship – lies in planned and systematic processes of innovation and development. Soft Tel has also clearly defined and demarcated responsibility areas, with respect to its development processes.

8.3.3 Risk-Taking Entrepreneurs at Family Tech

A possible way to describe Family Tech is to label it as a ‘family business’. In chapter 6, I suggested that Family Tech can be described as a family business in several respects. Not only is Family Tech mainly owned by John and his sons. They are also actively involved in the business, being responsible for e.g. research and development and for IT. Besides, even if there is a hired managing director, it can be claimed that John and his family have a heavy influence on major decisions and strategic issues.

It can further be suggested that Family Tech has some similarities with Miller’s ‘simple firm’ (1983). According to Miller, this type of firm is highly centralised with respect to decision-making and power. It relates also to entrepreneurship, which is closely linked to and influenced by the leaders. The leaders are the ones that drive entrepreneurship and innovation. As discussed in section 6.6.1, this seems to be the case in Family Tech. Innovation and
development is mainly a matter for John and Lasse. John is the one who is responsible for and most actively involved in the research efforts. He, together with Lasse, is also the one who decides upon new research projects, as well as upon projects in progress. Furthermore, John – and to some extent also Lasse – is described as the entrepreneur. In these respects, it can be argued that Family Tech differs from Soft Tel, where product development is ordinary business and involves most employees in one way or the other. It is for example reflected in the fact that Soft Tel’s largest department is a development department.

Family Tech differs from Soft Tel in another respect. At Family Tech, the actors – particularly John – have a more proactive approach to renewal and innovation. Family Tech members do not merely solve customer problems and needs, they also create needs. Corporate entrepreneurship in the context of Family Tech is therefore captured by using terms as proactiveness and enactment. It further indicates that entrepreneurship in Family Tech has more resemblance with Schumpeter’s view of entrepreneurship, than with Kirzner’s definition. It can be argued that its technical innovations hardly create equilibrium and order on the market. On the contrary, they rather cause turbulence on the market. Therefore, entrepreneurship in the case of Family Tech can be understood in terms of creative destruction, as discussed by Johannisson (2005; see also 8.3.1).

Accordingly, entrepreneurship in Family Tech is mainly a concern for a small group of people; for Lasse and John and possibly also John’s family. Particularly John is appointed as the entrepreneur who sees opportunities and carries them through. He is also the one who is formally responsible for and actively involved in research and development activities. It can further be suggested that corporate entrepreneurship at Family Tech can be likened to Schumpeter’s view of entrepreneurship and be described in terms of e.g. proactiveness and creative destruction.

8.3.4 An Entrepreneurial Culture at Roxtec

Two different pictures of corporate entrepreneurship have now been portrayed. The aim of this section is to present a third one, which describes the meaning of entrepreneurship at Roxtec. It is done since still another alternative may increase our understanding of observations from Soft Tel and Family Tech. It may in its turn lead to an increased understanding for corporate entrepreneurship and those entrepreneurial challenges and requirements it may involve.

First, entrepreneurship at Roxtec has some resemblance with entrepreneurship at Family Tech. Referring to Roxtec’s patented technology specifically, I suggest that its “invention has transformed the industry and fundamentally changed the rules of competition” (Lövstål, 2001, p. 112). The statement indicates that corporate entrepreneurship at Roxtec – according to
my interpretation – leans towards Schumpeter’s view of entrepreneurship, similar to Family Tech. Even if the statement addresses a specific invention, there are also other observations that pointed in the direction of a Schumpeterian approach to renewal and development. Its members had a proactive stance towards opportunities. It was for example reflected when they proclaimed that “Roxtec sets the standard” (see e.g. p. 113) and when one of the interviewees explained that they create the market (see p. 89).

Even if having some resemblance with Family Tech, it can be argued that entrepreneurship at Roxtec was more extensive in two respects. First of all, at Family Tech – as well as at Soft Tel – entrepreneurship is closely linked to the product offering and to technical solutions. Members of both these companies are good at finding technical advanced solutions and to improve the product and production methods. This relates also to Roxtec. However, entrepreneurship at Roxtec was not related to product offerings and technical solutions only. In my contacts with the company, I observed creative solutions and innovations in the production system, in its relationship with agents, the approach to the market, as well as in organisational and managerial processes. The actors were actively looking for new ways of doing business in many different areas. Secondly, entrepreneurship was something that should permeate the whole organisation. Even if there was one person who was described as the ‘true entrepreneur’, there was an ambition to spread this entrepreneurial spirit throughout the organisation. In this respect, there is also a difference between Soft Tel and Roxtec. It can be argued that entrepreneurship in both organisations involves and concerns many people, contrary to Family Tech. However, at Soft Tel entrepreneurship can not mainly be understood in terms of an organisational culture, shared values or an organisational mindset. As described previously, corporate entrepreneurship at Soft Tel is related to a planned development process, involving the majority of the employees.

8.3.5 Entrepreneurial Challenges and Requirements

An underlying assumption in this work is that balancing between – what could be perceived as – opposing elements aims at fostering corporate entrepreneurship. It can of course be questioned. Considering what has been discussed in previous sections of this chapter – about different meanings of entrepreneurship – we also realise that it means different things to ‘foster entrepreneurship’. Companies are confronted with different entrepreneurial requirements and challenges, depending on what entrepreneurship means and how it is organised for.

Having the studied companies in mind, a first question can be: Do the actors express a need or a wish to foster entrepreneurship in management control processes? Starting with Family Tech, it can be argued that they do.
Both Lasse and John refer to entrepreneurial dimensions and ambitions, when explaining and justifying management control practices and the use of management control systems. In some situations they explicitly talk in terms of entrepreneurship when describing the way of doing things. Lasse, for example, refers to his and John’s entrepreneurial spirit when explaining why they are more interested in doing things, than in analysing them (see section 7.3.1). In his reasoning, we can also see connections and similarities with ideas expressed by entrepreneurship researchers; ideas which are used and referred to when creating and suggesting managerial tensions. If reflecting upon my observations from Roxtec, the same can be said about it. Roxtec members reflected a wish to foster and support entrepreneurship in management control practices. Listening to the actors from Family Tech, I recognise some reasoning and arguments from my Roxtec study.

When analysing statements from Soft Tel actors, a somewhat different picture emerges. First, they do not explicitly talk in terms of entrepreneurship and they do not describe Soft Tel as ‘entrepreneurial’. Statements and descriptions neither reflect any ambitions to become more entrepreneurial, or a need to be more entrepreneurial. It can even be argued that they discuss in opposite terms. The interviewees – for example Paul – suggest that they do not lack ideas or willingness to realise them. It can also be stated that managers – justifying management control practices and the way of using management control systems – do not use the kind of arguments and reasoning that can be found in corporate entrepreneurship literature, and that I to some extent observe in the case of Family Tech. It may explain why several opposing elements in the original framework do not illustrate management control tensions and balancing efforts at Soft Tel. Considering that the companies in question show different manifestations of entrepreneurship and reflect diverse ambitions with respect to entrepreneurship, it can be argued that the companies are confronted with different entrepreneurial challenge. If starting with Soft Tel, I previously argued that corporate entrepreneurship is related to creative problem-solving. It is also based on systematic and planned development processes. Considering this, some of the interviewees’ reasoning makes sense. For them, the crucial thing is not to detect new ideas or to increase creativity. Instead, the challenge is to create efficient processes, so that as many ideas as possible can be used and taken advantage of. Since Soft Tel is dependent on the owners’ willingness to invest and to spend money on the projects and on its development, the actors continuously struggle with scarce resources. There is no lack of ideas or willingness to pursue them. The problem is that they have not resources enough to take advantage of them all. Hereby, it makes sense why they express a struggle for efficient innovation processes, in which resources are used economically.
The actors at Family Tech – referring to mainly Lasse and John – have another challenge in mind when discussing and justifying the way of dealing with such issues as planning and decision-making. They emphasise the willingness to accept and to take risks. They also stress the need to enter projects which may appear as valueless ones, from the perspective of an accountant. To take risks is a necessary condition for being in the technical front, they argue. For Family Tech, it is crucial to maintain this attitude towards risks. Therefore, it can be argued that Family Tech’s balancing aims at continuing being a risk-taker and a pioneer in the industry. To these challenges – related to entrepreneurship – a third one can be added if also including Roxtec in the discussion. When recalling my talks with Roxtec actors and my interpretation of their statements, I remember a similar kind of reasoning as within Family Tech. Also the managers at Roxtec stressed the importance of daring and of taking risks. However, considering that corporate entrepreneurship at Roxtec also is associated with a culture, another challenge emerges. Managers were concerned with the question on how to create an entrepreneurial culture and an entrepreneurial mindset throughout the company. A challenge was to find a practice that fostered this. Such ambitions are not very conspicuous when to talking to members at Soft Tel and Family Tech.

8.3.6 Growth Challenges and Requirements

In order to understand those different and overall tensional requirements that the companies stand in front of, it is also important to consider that they have been classified as medium-sized growing companies. All three have experienced a growth with respect to number of employees. Their management teams also express a wish and an ambition to continue growing. The fact that they are quite small as well as growing has implications – as well – on entrepreneurial and management challenges. Being medium-sized, to start with, indicates that the companies have not yet become a bureaucratic, internal-looking, slow-moving company which is often addressed in corporate entrepreneurship literature (e.g. Norrman, 1975; Kanter, 1985; Baden-Fuller & Stopford, 1994). It means that the companies stand in front of other managerial challenges than presumed in many corporate entrepreneurship frameworks. Accordingly, we can expect that the attribute of being quite small, together with the ambition to grow, is reflected in management challenges and balancing efforts. There are also some aspects that unite the companies; similarities which can be understood by these attributes. First of all, the actors at the companies repeatedly return to the importance of being flexible and rapid in decision-making and in acting. The actors regard these abilities as one of the companies’ major strengths, and something which distinguish them from many other
companies. As mentioned in section 6.3.2, John for example uses the metaphor of an outboard motorboat when describing Family Tech and how they "bustle around". He also makes a comparison with a slow and heavy oil tank. In the case of Soft Tel, it may be remembered from chapter 4 that the interviewees describe both the product and the organisation in terms of flexibility. This is also returned to when explaining management practices. Here, and particularly when talking about decision-making and problem-solving, they also touch upon rapidity. These two aspects – flexibility and rapidity – were also emphasised by the Roxtec actors. One thing that unifies all three companies is that their managers have an ambition to remain flexible and fast in acting and in decision-making. It can be seen as one major managerial challenge when growing, which may help us understand the reasoning in respect of handling different – and opposing – management control elements.

However, since the companies are at different stages of growth with respect to number of employees, they also show different managerial challenges. For Family Tech, it is a question of increasing the formalisation. It is for example reflected in the development of a quality program which has involved a specification regarding the organisational structure, among other things. Roxtec, which was somewhat bigger than Family Tech during my research, had already formalised many of its procedures and structures. Managers were more occupied with decentralisation of responsibility and decision-making. During my empirical study, managers at Roxtec created, for example, a number of revenue and expense centres with budget responsibility. Soft Tel, lastly, has passed both these stages of growth, even if still struggling with these questions to some extent. For Soft Tel managers, continued growth seems to be a question of developing and finding new ways of communicating. Spontaneous talks and meetings, and informal communication patterns, are hard to preserve when the company grows.

A possible conclusion is that we can see some similarities between the companies, related to managers' ambitions to continue to grow and to remain flexible and fast. At the same time, the managers are standing in front of diverse challenges, since the companies are in different growth stages.

8.3.7 Summary of Overall Challenges

Table 8-2 summarise the above discussion on entrepreneurship and growth challenges.
Table 8-2: Studied Companies and Their Overall Challenges

<table>
<thead>
<tr>
<th></th>
<th>Soft Tel</th>
<th>Family Tech</th>
<th>Roxtec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurship</td>
<td>(1) Creating innovative and efficient</td>
<td>(1) Continuing being a risk-taker and pioneer</td>
<td>(1) Continuing being a risk-taker and pioneer</td>
</tr>
<tr>
<td>challenges</td>
<td>development processes</td>
<td></td>
<td>(2) Creating an entrepreneurial mindset/culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth challenges</td>
<td>(1) Staying flexible and fast</td>
<td>(1) Staying flexible and fast</td>
<td>(1) Staying flexible and fast</td>
</tr>
<tr>
<td></td>
<td>(2) Changing patterns of communication</td>
<td>(2) Increasing formalisation</td>
<td>(2) Increasing decentralisation</td>
</tr>
</tbody>
</table>

These challenges help us understand the use of management control systems in planning, decision-making, and organisational control. In the introduction of this thesis, I argued that managers in medium-sized growing companies – which are good at detecting and taking advantage of opportunities – are confronted with overall tensional requirements. At the same time as trying to remain entrepreneurial, they also have to create more formalised and impersonal management practices and systems. Table 8-2 and related discussion shows that these tensional requirements can be further elaborated on. It shows that challenges, related to entrepreneurship and growth, are dissimilar among the companies. My suggestion is that these differences explain why the managers balance between somewhat different opposing elements when planning, making decisions, and controlling the organisation. It also explains why opposing elements in the original framework is not always applicable on Soft Tel and Family Tech. They are – in some respects – standing in front of other overall tensional requirements, then assumed in the literature which the framework is based upon.

8.4 Dealing with Tensions in the Use of MCS

When arguing that overall challenges and tensional requirements – as the ones elaborated on in earlier sections – explain observed management control tensions, I address the contents of these tensions, or in other words the opposing elements which make up a tension. Overall challenges and requirements make us understand why managers discuss and reason according to certain elements.

Another interesting issue, which has been discussed previously in the chapter, is related to the character of the tension and how a tension is interpreted and dealt with. One aspect which unites the companies is that the managers reflect a contentment regarding the present use of management...
Balancing the Use of MCS – A Comparative Analysis

control systems. Even if there are some suggestions for improvements, the actors do not express severe disapproval of the present practices. Neither do they suggest that the current use of management control systems have negative effects on growth and entrepreneurship ambitions. An interpretation of this is that the managers in both companies have managed to create a balance between opposing element, in the use of management control systems. Such a balance was illustrated in chapter 5 and 7, when positioning the companies in the middle in a continuum (e.g. figure 5-3), when portraying a well-balanced seesaw (e.g. figure 5-2), and when picturing two boxes of the same size and on the same level (e.g. figure 7-6). However, these illustrations and related discussions also indicate that suggested tensions are interpreted and handled differently. This is reflected in the distinction between a dilemma, a trade-off, a duality and a paradox. In table 8-1, a summary of management control tensions and their characteristics were presented. It shows a disparity among tensions, both between the companies and between management control processes. Unlike the content of opposing elements, this disparity can not – according to my interpretation – be understood by referring to those overall challenges and requirements that has been discussed in earlier sections.

Considering that all tensions related to decision-making and to organisational control were interpreted in a similar way – as dualities and trade-offs respectively – suggests that the process matters. For some reason, it seems as if a ‘both-and’ thinking – in terms of a duality – is more easy to accomplish in decision-making, than in planning and organisational control. When it concerns organisational control, it seems mainly to be a question of finding a proper proportion of both opposing elements since tensions are interpreted as trade-offs. Regarding organisational control, it should be remembered though that the observation is only based on two suggested tensions. Besides, these two tensions reflect different purposes of management control systems; the control purpose and the information purpose (see section 8.2.3). Regarding planning, finally, there is a variety among suggested tensions; being interpreted either as a trade-off, dilemma or paradox.

One suggestion is that the kind of management control process matters when dealing with tensions. Another suggestion is that tensions are dealt with differently in the use of management control systems depending on managers’ views of these systems. This can primarily be discussed in relation to planning, since these tensions differ in character between the companies. Regarding managers’ view of management control systems it appears as Soft Tel and Family Tech are similar in one aspect; the actors relate management control systems primarily with a goal view and a feedback model. They also seem to regard these systems as tools for solving problems, for correcting variances, and for reducing ambiguity. In the case of Soft Tel, these ideas are in line with current practices and managers’ ideas about management control. This is not
the case at Family Tech, where the managers describe management control ideas and practices which are distant from a goal view and a feedback model. Hereby, a dilemma occurs. Returning to Roxtec, it differs from both Soft Tel and Family Tech. The actors at Roxtec did not view formal control systems as being opposed to an emerging kind of planning, for example. Its managers further regarded formal control systems as tools for detecting problems, creating opportunities, and for learning. The actors at Roxtec revealed a more dual picture of the management control systems. It explains why I perceived managers’ use of and reasoning about management control systems more paradoxical than in Family Tech and Soft Tel.

Another interpretation is that Roxtec members emphasised the use of management control systems. They stressed that a management control system in itself does not have a hampering effect on entrepreneurship and innovation. It depends on how it is used, they suggested. They also stressed the importance of having a budget. However, if wrongly used it will support status quo and discourage new initiatives, according to managers’ way of reasoning. We can see a similar elaboration on the use in Family Tech, and in the tension between a tight design and loose use. At Soft Tel, the managers have a stronger focus on the system. They are more prone to develop new systems and to introduce new kinds of information. If comparing them with Family Tech – and with Roxtec – the actors of Soft Tel are more focused on the design aspect of management control systems; how can they improve the design of the present systems? They also have and use more formal systems and accounting tools than the other two. One explanation may of course be that Soft Tel is larger, which was previously mentioned. Another explanation is that formal systems such as management control systems are more useful in a business of Soft Tel’s kind. As has been stressed previously, entrepreneurship involves less uncertainty in Soft Tel than in Family Tech. Besides that, it may be suggested that the actors at Soft Tel deal with tensions by having systems and tools which reflect both opposing elements. They have complementary systems which are based on different principles; an observation which was elaborated on in section 5.5. In the case of Roxtec, these tensions are instead dealt with by a varied and dual use whereas a non-use – or a loose use – is the solution for managers at Family Tech.

8.5 Summary

In this chapter I have compared the cases as well as discussed them in relation to the suggested framework and overall tensional requirements. The aim of the exercise has been twofold. One aim has been to increase our understanding of each company and its managers’ use of management control systems by interpreting it in the context of others. A second aim has been to abstract from
Balancing the Use of MCS – A Comparative Analysis

empirical observations to empirical and theoretical patterns, in other words to contribute to a theoretical development of the use of management control systems in entrepreneurial organisations.

I started the chapter by comparing the companies, regarding planning, decision-making and organisational control tensions. The comparison points at several differences – regarding both the content and character of management control tensions – between the companies and between the three processes. The elaboration also points at deviations from the original framework and from Roxtec.

Differences and similarities are tried to be explained by elaborating on overall tensional requirements; an idea which was introduced in the introductory chapter. The elaboration suggests that Soft Tel and Family Tech are confronted with somewhat different entrepreneurship and growth challenges. Here, I also return to Roxtec, since it adds to the discussion on varied overall challenges. The suggestion is that different overall challenges and requirements explain why statements from the companies’ managers reflect different opposing elements in relation to planning, decision-making and organisational control. The comparison and elaboration give us knowledge about and explanation for those opposing elements which are balanced. But they do not touch upon the how-question. How are the opposing elements dealt with? This question is discussed in the last section, where I also point at some differences. Here, I suggest that the way tensions are approached depends much on the managers’ views of management control systems.
9 Conclusions, Contributions and Suggestions for Further Research

9.1 Introduction

The question on how opposing elements are balanced in the use of management control systems in entrepreneurial organisations has been the underlying focus of this study. As was mentioned in the introduction, entrepreneurship in established organisations has received increased interest in the last decades (see 1.1). It is primarily seen as a means to keep up with the speed of change and to improve the competitive strength of companies (see e.g. Covin & Miles, 1999). Normann (1975/1999) – as one – stresses that more of entrepreneurship in organisations also improves working conditions for organisational members, allowing for increased levels of responsibility, creativity and action. In the introduction, I argued that entrepreneurship in established organisations involves a balance between tensional requirements (see e.g. Jelinek and Litterer, 1995). At the same time as encouraging new initiatives, managers also have to coordinate and control existing businesses and activities. A group of companies which appears to be in such a situation of tensional requirements is medium-sized companies, whose managers have the ambition to grow and to remain innovative and entrepreneurial. Growing in number of employees requires a formalised and impersonal management; a kind of management whose principles seem to be contradictory to entrepreneurship and entrepreneurial ambitions. In chapter 1, I further suggested that the use of management control systems is a particularly delicate issue for this group of companies and their managers.

Leaning on these ideas, I argue for a study of ‘good examples’; of medium-sized companies which are both growing and entrepreneurial. I have therefore identified and studied two medium-sized growing companies, which can be described as entrepreneurial in the meaning of being able and willing to pursue opportunities and to introduce them on the market. The study also puts a particular focus on formalised management control system, such as budgeting- and reporting systems, performance measurement system, project management systems, and product costing systems. Accordingly, it is mainly accounting-based control systems that are addressed, however holding both financial and non-financial information and measures. The overall aim has been to increase our understanding on how and why managers use management control systems
in entrepreneurial organisations, and then particularly in medium-sized growing companies. Such an ambition was reflected in the research questions and purposes, posed and declared in section 1.4.

In order to fulfil the overall aim, the idea has been to relate empirical observations regarding the use of management control systems to a balancing framework; a framework which consists of a number of tensions related to management control. In this final chapter, I summarise some of the main conclusions regarding the use of management control systems in studied companies, as well as the balancing between opposing elements. I also bring forward some contributions of my study, in relation to previous research. The chapter ends with suggestions for further research.

9.2 Balancing the Use of MCS in Entrepreneurial Organisations – Conclusions

Based on my study, what conclusions can be made then regarding the use of management control systems in entrepreneurial organisations? First, it can be concluded that the use of these systems can be described and understood as a balancing between opposing management control elements. Even if observed tensions differ – in respect of contents and character – in the companies and between management control processes, the overall idea of interpreting the use in terms of balancing between opposing elements and in accordance to a balancing framework is useful. It provides us with an additional understanding of the use of management control systems within the companies in question. In what respects a balancing framework and the idea of a balance between opposing elements add to our understanding will be further elaborated on in next section, dealing with contributions.

Another conclusion from the study is that the companies differ in many respects in the managers’ use of and reasoning upon management control systems. As mentioned in section 1.2.3, Greve (1999) found in his study that companies with a product development strategy – which both Soft Tel and Family Tech can be argued to have – had different kinds of management accounting systems. My study shows that these companies also may differ in respect of their managers’ use of and reasoning about these systems. In the case of Soft Tel, it can be argued that managers’ use and reasoning lean mainly towards the left side of the original framework, in respect of all three management control processes. The use – or rather the limited use – of management control systems at Family Tech is better understood in terms of the right elements, particularly when it concerns planning and decision-making. Regarding
organisational control, suggested tensions were not really applicable on Family Techno, since they did not use management control systems for delegating responsibility. Except from the organisational control dimension in the case of Family Tech then, the original framework turned out to be useful in the process of analysing and interpreting the use of management control system. It also points at some interesting results, e.g. a lack of entrepreneurial elements in the actual use of management control systems (see further below). However, the framework did not really capture balancing challenges, as described and perceived by the managers themselves. Therefore, I have suggested a number of new tensions, which add to our understanding of the use of management control systems and related balancing efforts. Also here we can see a difference between the companies, since different management control tensions appear in the context of Soft Tel and Family Tech, respectively. Based on my observations and interpretations, I suggest though that the companies have more in common in their decision-making, than in planning and organisational control.

My suggestion is further that these differences with respect to management control tensions can be understood if considering the companies’ entrepreneurship and growth challenges. These challenges may also explain why the original framework – assuming somewhat other tensions – does not always capture balancing efforts in the case of Soft Tel and Family Tech.

Another conclusion, which can be drawn from the study, is that it is not enough to look at the content of a tension in order to understand the companies’ balancing between opposing elements. We also have to look at how a tension is approached and dealt with; an aspect which I have called the character of a tension. Does it have the character of a dilemma, a trade-off, a duality, or a paradox? Regarding this, it can be concluded that identified tensions differ in character, even if the majority has similarities with a trade-off. However, the fact that all decision-making tensions are interpreted as dualities is yet another interesting finding. Here, the companies have one thing in common then.

An underlying aim of the study – mentioned in the introductory chapter – was to extend the Roxtec-study and to examine if similar patterns regarding the use of management control systems can be found in other entrepreneurial organisations. A conclusion related to this is that Soft Tel and Family Tech differ from Roxtec, in many of those aspects previously described. For example, the kind of paradoxes – reflecting both opposing elements at the same time – which I observed when studying Roxtec has been quite absent in this study. Only one paradox expressed in terms of a tight design and a loose use and meaning has been identified. Observations from Roxtec also point at somewhat different overall tensional requirements as well as at different views and attitudes towards management control systems among managers.

The discussion in terms of trade-offs, dilemmas, and similar has practical implications and points at some possibilities for managers. What happens – for
example – if we approach all tensions as dualities or paradoxes? If we think in terms of both-and, instead of either-or or more-or-less? Maybe *this* is the ‘crux’ of corporate entrepreneurship and the use of management control systems (cf. Stevenson and Jarillo, 1990)? Baden-Fuller and Stopford (1994) discuss in line with this. They argue that the essence of the difference between entrepreneurial and mature companies is that entrepreneurial companies are good at recognising and resolving dilemmas. Even if I only identify one dilemma it can be argued that also trade-offs are based on an either-or thinking. Should we choose a position which is more towards the left, or the right end-pole?

If approaching a tension as a duality, opposing elements are regarded as both contradictory and complementary, as explained in chapter 2. In the case of a duality, complementary processes, practices, systems and forums can be developed in order to create space for both opposing elements. A paradox is somewhat different, at least as it appears in my study. Here, a tight design is balanced by a loose use and meaning. An interesting exercise is to apply a similar reasoning on other tensions, and in relation to the use of management control systems. Can we for example have a plan which is instrumental in design, but that is used according to an emerging planning model? Can we balance organisational control by having a system which is formal in design but used informally? Another intellectual experiment for a practitioner is to think in the opposite way. Can it be fruitful to balance a tight use with a loose design for example? As mentioned in section 8.2.4, such ideas reflect a more dynamic and holistic solution to tensions; a solution which treat opposing elements as a whole, and which is not limited in space and time and which do not reduce complexity by removing tensions.

The above discussion indicates that an ‘entrepreneurial’ use of management control systems involves a both-and thinking. It can also be suggested that an ‘entrepreneurial’ use of management control systems should include also those ‘entrepreneurial’ elements which were found on the right side of the original framework. These elements, which are not normally associated with management control systems, bring new meanings to the use of management control systems. Agreeing on this, a conclusion is that the companies are not very entrepreneurial in their managers’ use of management control systems. This relates to planning and organisational control in particular, where most tensions are treated as trade-offs and where the original framework worked to a lesser extent. Even if managers at Family Tech discuss much in terms of entrepreneurial elements, they do not seem to use their systems in accordance with those principles. Rather, they justify their limited use of management control systems by referring to entrepreneurial ideas and ambitions. Still, it can be argued that Soft Tel and Family Tech show an appropriate use in the sense of having managed to create neat balances between suggested opposing elements, in their present situations.
Conclusions, Contributions and Suggestions for Further Research

The findings presented in this section point at many possibilities, and many interesting ideas, regarding the use of management control systems. They also give hints about future research, which will be discussed at the end of this chapter. But before that, I will bring out some contributions of the study.

9.3 MCS in Entrepreneurial Organisations – Empirical Contributions

9.3.1 Two Additional Empirical Descriptions

One aim of the study has been to describe management control systems – particularly accounting-based ones – in entrepreneurial organisations. It can be argued that such descriptions are an empirical contribution, since it has been a somewhat neglected area of research (cf. e.g. Olson et. al, 2004). There are a number of studies with a similar focus conducted by strategic management researchers (see Langfield-Smith, 1997, for a review). In these studies, entrepreneurial organisations are approached as a strategic type, often called ‘prospectors’ (e.g. Miles and Snow, 1978/2003). Here, prospectors are compared with less entrepreneurial organisations with respect to the management control systems, for example. It should be noted that these studies are primarily directed towards large organisations. More recently, there have been some empirical studies conducted which address the issue of management control systems in small firms (e.g. Berström and Lumsden, 1993; Andersson, 1995), in R&D departments (e.g. Berglund, 2002) and in relation to the entrepreneur herself/himself (e.g. Hansen, 2005).

If comparing my empirical study with these, it addresses another group of organisations as well as another unit of analysis, with its focus on entrepreneurial organisations that are of medium size and growing. It also has a somewhat different point of departure. There are few studies of management control systems – some of them mentioned above – which lean towards corporate entrepreneurship literature, and which have a clear focus on entrepreneurship. Most of them take the point of departure in strategic management literature or in management control literature. It means that the overall aim of these studies may not be to increase our understanding about corporate entrepreneurship, but on e.g. strategy and its relation to structure or the design and use of management control systems in relation to management control purposes and contextual contingencies. Studies which highlight entrepreneurship most are probably the ones that focus on the entrepreneur and his/her use of management control system. However, in comparison with those,
I have a different unit of analysis, addressing the ‘entrepreneurial organisation’. However, even if addressing the organisation mainly, it turned out to be impossible to leave out the entrepreneur, particularly in Family Tech.

It can be argued that the prospector type of firm has similarities with my ‘entrepreneurial organisation’. In contrast to those studies which are heavily focused on large organisations, my study pays attention to medium-sized ones. In this respect, it also differs in relation to studies which focus on independent entrepreneurship, where newly started businesses or very small ones often are paid attention to. Accordingly, my empirical study provides an additional picture of management control systems and entrepreneurship.

A previous study presented in Lövstål (2001) is important for understanding the focus and the design of this study. Observations from the Roxtec case – which was studied in Lövstål (2001) – pointed at a sensitive use of formalised management control systems, a use which not only went well together with entrepreneurial ambitions but also enabled and inspired entrepreneurial endeavours. An additional aim of the study has been to extend the Roxtec-study, in order to examine if similar patterns with respect to the use of management control systems could be found. The empirical studies of Soft Tel and Family Tech point at some similarities to Roxtec, but also at differences. As emphasised, it can be explained by the idea that these three companies and their managers are confronted with somewhat different overall challenges and tensional requirements. They are in various stages of growth with respect to number of employees. Besides, entrepreneurship involves somewhat different things in the companies and is also organised differently. These aspects explain some of the diversity between observed companies and the use of management control systems. These observed differences with respect to overall tensional requirements also make it easier to relate observations to previous empirical studies. It also has implications for practitioners, who may find it easier to apply my observations and ideas on their own businesses.

In the case of Family Tech, it may be relevant to draw parallels to the studies of e.g. Collier (2005) and Hansen (2005). These studies address entrepreneurs’ construction and use of accounting systems, in companies similar to Family Tech. If considering the findings from Hansen’s study, there is some resemblance to my observations from Family Tech, as briefly mentioned in section 6.6.2. Similar to Hansen’s entrepreneurs, the entrepreneurs at Family Tech use cognitive accounting models – i.e. mental ideas – in a way which both affects and supports the reading of formal accounting reports. The entrepreneurs in Hansen’s study do also reason about and use accounting systems and information in a similar way as Family Tech’s, when making decision about new projects and investments. Regarding Soft Tel then, it seems more relevant to compare observations with studies focusing on R&D departments or organisations, as e.g. the study by Berglund (2002). In her study
of a pharmaceutical drug development organisation, she found that budgets and targets were used diagnostically, whereas the project management system was used interactively. These observations – as examples – are in line with mine, in the case of Soft Tel. In chapter 5, I argued that Soft Tel’s budgeting system and its performance matrix are used diagnostically. The program plan and the project management system are on the other hand characterised by a more interactive use, even if in a restricted sense.

9.3.2 MCS in its Context

A lot of research that addresses the question on management control systems and entrepreneurship – in one way or the other – has a contingency approach. This relates both to strategic management studies (e.g. Miller & Friesen, 1982) and management control studies (e.g. Bergström & Lumsden, 1993). These studies examine the correlation between strategy and the characteristics of management control systems, or between these systems and contingency factors, such as company size and market conditions. These studies give us knowledge about the characteristics of management control systems in entrepreneurial organisations, here represented either by prospectors or small businesses. However, and as e.g. Langfield-Smith (1997) states, findings from these studies point in somewhat different directions. They also give us little understanding for why it looks as it does, and why findings are somewhat dispersed. Langfield-Smith also brings forward the issue of design and use, arguing that contingency studies do not manage to capture the difference between these aspects.

The aim of this study has therefore been to increase our understanding of how and why, next to the question of what. Such ambitions mean that attentions have to be paid on the meaning management control systems has to people and how it is used within organisational and managerial processes. Such an orientation asks for studies which captures management control systems from the perspectives of organisational members, and in its organisational context. Similar ideas have also been brought forward in the field of management accounting, however not with either strategy or entrepreneurship specifically in mind. Hopwood (1983), for example, asked already in the early eighties for studies that were focusing on accounting in practice and in its organisational context. He asked – in other words – for studies which had the aim to understand its organisational roles and its relationship with other organisational practices, processes and structures. He states:

“… organizational researchers aim to understand the meanings which are given to accounting in particular settings…”

Hopwood, 1983, p. 288
His article was only one among many others, which presented similar views about accounting and accounting research at this time of being (see e.g. Burchell et. al, 1980; Birnberg, Turopolec & Young, 1983; Boland and Pondy, 1983). Many management accounting researchers have been inspired by these authors and their ideas, and have conducted empirical studies on accounting in its organisational context and on its meaning and use in organisational processes (see e.g. Ansari & Euske, 1987; Johansson, 1989; Preston, 1989).

My study has many similarities with these studies focusing on accounting in its context. It also explains why I have chosen to conduct a case study. Accordingly, an idea is that we will increase our understanding about management control systems by having a deep knowledge about the organisation in which it is studied. The ambition to improve our knowledge about how and why does also explain my research questions. Hence, I have not only examined what systems that can be found in medium-sized growing and entrepreneurial companies. I have also studied how these systems are used and why they are used. This in turn explains my choice to conduct interviews. In order to answer the question why, I take my point of departure in the actors’ experiences and descriptions. It means that I search for the actors’ perceptions, ask for their motives for using such systems, and that I focus on their reasoning in relation to management control systems.

My point is not to depreciate contributions from contingency studies, but to highlight that my approach leads to additional knowledge about the use of management control systems in entrepreneurial organisations. One thing that my study accomplishes is that it brings forward an ambiguous and complex picture of the relationship between e.g. design, use and motives – as well as between management control systems and entrepreneurship. Such complexity is – to some extent and for necessary reasons – reduced in contingency studies (see e.g. Greve, 1999, reflecting upon his own study and its results).

9.4 A Balancing Framework for the Use of MCS

9.4.1 From a Management Mode to Separate Tensions

As clarified in chapter 2, entrepreneurial management is often approached as a managerial mode (see e.g. Stevenson and Jarillo, 1990). There are also several attempts to conceptualise this mode (see 2.2.2). In these conceptualisations, entrepreneurial management is often put in contrast to an administrative mode of management. These modes of management are further depicted as two end
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points in a continuum, and as such represent two very different – and purified – forms of management (see e.g. Stevenson, 1983; Stevenson and Gumpert, 1985). The underlying idea is that an organisation should lean more towards the entrepreneurial side if aiming for entrepreneurship. 

A first thing to note is that these conceptualisations – being purified forms of management – say little about how ‘entrepreneurial management’ is performed in practice. There are few studies that actually try these models, in order to see how well they can be used for understanding ‘entrepreneurial management’ – in practice. This can be seen as one contribution of my study. I develop a framework which I also apply on the empirical material. Conclusions from this analysis were presented in section 9.2.

In relation to the presentation of such conceptualisations of management modes, I argue – by referring to e.g. Watson (1996) – that management is simplified in these frameworks. For example, they give us an idea about a transformation from one side to the other. It also signals that it is a matter of choosing the entrepreneurial side and the whole package which comes with this choice, or the administrative side. According to my way of reasoning, it may be more complicated than that. Therefore, I leave the idea of management modes, even if dimensions and contents of these conceptualisations are used. Instead I identify a number of opposing elements, which appear to be relevant from an entrepreneurial perspective and which need to be dealt with by managers. The framework presented at the end of chapter 2 (see 2.3.6), can in this way be interpreted as a conceptual refinement and contribution, in relation to models which depict two management modes.

Besides, those tensions that are described as empirically-derived in previous chapters can be seen as a refinement and contribution, to my original framework. As previously explained, in my analysis and interpretation of managers’ use of management control systems, I identify elements and tensions which are not captured in the framework presented in chapter 2. Therefore, I suggest a number of additional tensions which add to our understanding of managers’ balancing efforts in relation to the use of management control systems.

9.4.2 From One Organisation to Several Challenges

An idea was to use my framework when analysing and interpreting the use of management control systems. The aim of this exercise was to increase our understanding about managers’ way of reasoning in relation to management control processes and issues. The aim was also to increase our knowledge about the use of management control systems in entrepreneurial organisations.

A first conclusion to make, based on the empirical study, is that managers in the same company present quite uniform pictures related to management
control systems. However, making comparisons between the companies, two diverse pictures emerge. Also, adding observations from Roxtec, we get a third picture of the use of management control systems. This observation made me reflect upon the notion of ‘entrepreneurial organisations’. Even if all three companies can be classified as entrepreneurial in one aspect, they are different in another; in how managers organise and manage entrepreneurship and how entrepreneurship is manifested in the companies in question. Based on this, I turn the ‘entrepreneurial organisation’ into several overall challenges and tensional requirements.

The idea that the companies reflect different meanings of entrepreneurship – together with the fact that they are in different growth situations – points at another contribution of the study. It suggests that the companies and their managers confront different managerial challenges related to entrepreneurship and growth. These challenges, which are summarised in table 8-2 (see section 8.3.7), are important for understanding management control tensions and the content of opposing elements. Therefore, a framework which takes this into consideration is presented in figure 9-1.

**Figure 9-1: A Framework for Interpreting the Use of Management Control Systems**

The figure has many similarities with the picture presented in figure 2-2 (see section 2.2.3). However, the ideologies of entrepreneurialism and managerialism have been replaced by entrepreneurial and growth challenges, since these challenges are suggested to explain identified tensions in each company. In other words, these tensions make sense if considering the entrepreneurial and growth challenges which the companies are standing in front of. Besides, the headings of entrepreneurial management (EM) and
administrative management (AM) have been removed, signalling that it is not a question of choosing between two management modes (cf. section 9.4.1). Instead, the square – with its two columns – hold different tensions, which each should be treated in separate.

9.4.3 Different Types of Tensions

The kind of dual thinking reflected in this study is fairly common in corporate entrepreneurship literature. Some researchers explicitly talk in terms of balance between tensional forces (e.g. Eisenhardt, Brown & Neck, 2000). Others discuss in terms of two separate management modes, which have to be combined. Most often these tensional forces or separate management modes are treated as end-points on a continuum. The challenge for a manager is then to find a position in a continuum where a balance is attained. Considering this, a major contribution of this study is a more varied and more elaborated picture of the character of tensions. The study shows that opposing elements are – and can be – handled and approached differently. Not all can be understood and described as trade-offs. Among those tensions which I identify in the analysis, there are also – according to my interpretation – a dilemma, a paradox and several dualities.

This development in terms of different types of tensions is an additional theoretical contribution to a balancing framework for the use of management control system. These types have been discussed in terms of characters of tensions, illustrating different ways of approaching and dealing with these. The character has further been distinguished from the content of a tension, which refers to those opposing elements which make up a tension. This has been done in order to clarify that balancing can be described and approached from two perspectives. One perspective focuses on what the companies seem to balance between; what the opposing elements are. The other perspective addresses the question on how these elements are approached and dealt with. It relates to the character of a tension, and is discussed in terms of trade-offs, dualities, etc. One idea to make this distinction is to bring some order in the discussion on balancing. In addition to that, it seems as if the content can be understood by referring to the challenges which was discussed in previous section. The character of a tension – how it is interpreted and approached by managers – rather seems to be dependent on the management control process in question and the managers’ view of management control systems.

Several researchers have asked for a both-and thinking (see e.g. Hellgren & Löwstedt, 1997; Janssens and Steyaert, 1999). It can be argued that the discussion in terms of types of tensions accomplishes a both-and perspective, while presenting dualities and paradoxes as interesting alternatives. Both dualities and paradoxes reflect a both-and solution to the use of management
control systems. It also means that these notions emphasise complexity and variety, at the same time as pointing at many possibilities regarding the use of management control systems in entrepreneurial organisation.

9.5 Suggestions for Further Research

An overall reflection that can be made from the previous discussion in this concluding chapter is that the balance between opposing elements – in entrepreneurial organisations and in relation to the use of management control systems – is more diversified and complex than the original framework suggests and manages to capture. Balancing can be described and captured in different dimensions and opposing elements. It can further be understood in terms of different types of tensions. This complexity constitutes several possibilities for further research. One possibility is to extend the study by studying other entrepreneurial organisations. It can be a study which focuses on one group of entrepreneurial organisations, which are similar in the meaning and manifestation of entrepreneurship. It turned out that entrepreneurship has somewhat different meanings in Soft Tel, Family Tech and in Roxtec. In order to look for similarities and differences in the use of management control systems, it may be fruitful to identify and study a number of companies which are similar to any of the three companies, in respect of entrepreneurship and growth. It could also be a study in which different entrepreneurial organisations are included; different in respect of confronted entrepreneurship and growth challenges. Accordingly, the use of management control systems and how it reflects a kind of balancing between opposing elements can either be compared within a similar group of companies, or between different groups of entrepreneurial organisations. Another possibility is of course to go deeper into one management control process – e.g. planning – or one specific management control system – e.g. a budgeting system – in order to study in more detail what tensions this particular process or system involves. My study can be described as quite broad in scope, including several management control processes and systems. For example, it would be interesting to look more closely into decision-making since it differed in relation to the other two control processes. Not only were decision-making tensions more similar among the companies, both regarding content and character. They were also described as dualities, thus pointing at more dynamic solutions to tensions than in the case of planning and organisational control. Are these findings only a coincidence? Or can we see similar patterns in other studies?

Still another alternative is to look at a different managerial system, for example a communication system, and examine what tensions it seems to reveal. The idea of a balance between opposing elements are nothing that is exclusively
for management control systems. It can be applied on other systems and processes, as well.

My study also points at several possibilities with respect to the design and method. As was pointed at, I – by conducting primarily interviews – capture the actors’ descriptions and experiences of management control systems and their use. It would be interesting to conduct studies which are based more on observations, on the idea of observing the use of management control systems in ‘real life’. Also, longitudinal studies can be asked for, studying changes with respect to management challenges and the use of management control systems. To me, an interesting alternative is to return to the companies studied in this research, in order to trace changes and development with respect to managers’ use of management control systems.
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References


References


References


References


References


Appendix

Appendix I: Interview Guide – Group I

1. Company History

Describe:
- The start up
- Later growth and development
- The present situation

Identify and describe:
- ‘Critical incidents’/ important events
- Hard times/ good times

2. The Organisation

Describe:
- Ownership
- Group company/group structure
- Relationship to mother company
- Number of employees
- Board of directors
- Internal organisational structure (organisational chart, departments, etc.)
- Management groups

Try to identify and describe:
- Strengths of the company’s internal organisation
- Exclusive and distinctive characters of the internal organisation
- Policies with respect to human resource management
- The essence of the company’s atmosphere and culture

3. The Business Idea

Describe:
- The product; the offering
- Costumers/customer groups
Identify:
• Important changes of the offering since the start up
• Major strengths of the product/offering
• Major differences from competitors’ (product features, price, customer adjustments, customer service, etc.)

4. The Industry/ The Market

Describe:
• The industry with respect to competitors, competitive situation, other important stakeholders, trade conditions
• The market (geographical areas, industry areas)
• The company’s development with respect to market areas (history, future plans)

5. Financial Situation and Overall Goals

Describe:
• The company’s financial situation of today
• The financial development since the start up

Identify:
• Important financial information for understanding the company’s financial situation
• Strength and weaknesses of the company’s financial situation
• A number of important – overall – goals for the company

6. Entrepreneurship

Try to give some examples of:
• creative solutions/innovations related to the company’s product, organisation, market or/and your production process
• recent changes with respect to the company’s product, organisation, market or/and production process
• planned renewal or change projects with respect to product, organisation, market or/and production process

Try to explain:
• why the company has been identified as an innovative company by people who are well acquainted with the local industry
Appendix 2: Interview Guide – Group 2

1. The interviewee

Describe:
- your present position
- your work and responsibilities (in overall)
- your background

Identify and describe:
- some major challenges for you in your position

2. The company

Try to describe:
- the atmosphere/culture within the company
- the best things about working within the company
- differences to previous working places and to previous work, with a similar position

Try to describe:
- the company as a legal and economic entity (specific characteristics)
- the company in financial terms

3. Strategic planning

Describe:
- the way of planning for the future (time perspective, formalisation, people involved, etc)
- strategic plans and long-term goals (the character, types of, etc)

Give examples of (and if possible show me):
- plans, goals and visions

4. Budgeting

Describe:
- the budgeting process/processes (terms of reference, the use of instructions, people involved, revisions, etc.)
- your involvement in the process
• budgets within the company (object, content, structure, period, fixed/rolling, etc.)
• prognoses, if any
• the distribution of prepared budgets/prognoses
• recent changes and improvements with respect to budgets/prognoses
• how budgets are followed up (formally/informally, people involved, point in time, etc.)

From your point of departure, try to identify:
• reasons for having/not having budgets/prognoses
• effects due to recent changes, if any
• strength/weaknesses with respect to your budgets/prognoses and your budgeting process/es
• needs for further improvements

Give examples of:
• situations/events which lead to a budget revision during the period
• deviations from budgeted figures, which cause action

5. Reporting

Describe:
• the accounting reports that you prepare (object, contents, structure, time period, etc)
• the process of preparing these (when, how, etc.)
• the distribution of these reports (to whom, media, etc.)
• recent changes and improvement, if any

From your point of view, try to identify:
• reasons for preparing these reports
• effects due to recent changes
• strength/weaknesses with respect to the reports and reporting practices
• needs for further improvements

Give examples of:
• people that you discuss the reports with
• issues that requires discussion with others

6. Project planning and reporting

Describe:
Appendix

- how projects are planned, estimated and followed up
- your part in the process
- plans, estimations and cost reports (content, structure)
- recent changes in the system

From your point of view, try to identify:
- reasons for having a project cost system/project planning system
- effects due to recent changes
- strength/weaknesses with respect to the system
- needs for further improvements

Give examples of:
- issues that requires discussion with others, related to project plans, estimations and reports
- people you discuss with

7. Performance measurement and rewards

Describe:
- how goals and targets are determined (for the company, departments, groups, single individuals)
- how and to whom targets are spread
- how performance is measured and rewarded (for company, departments, groups, single individuals)

Give examples of:
- goals/targets for the company (explicit/implicit, quantitative/qualitative)
- goals/targets for specific departments
- performance measures (financial/non-financial, key ratios)
- endeavours that have caused a reward

From your point of view, explain:
- what a good/bad performance is (for the company, for your department, and for yourself)
8. Remaining Issues

Clarify:

• if and how you – or someone else within the company – make profitability analyses on product groups, markets, customer groups or single customers
• if and how you – or someone else – make profitability evaluations before making investments/engaging in new ventures
• if there are any other planned or wished changes with respect to the management control system
Appendix 3: Interview Guide – Group 3

1. The interviewee/the company

Describe:
- your present position
- your work and responsibilities (in overall)
- your background
- the atmosphere/culture within the company

Identify and describe:
- some major challenges for you in your position
- the best things about working within the company
- differences to previous working places and to previous work, with a similar position

2. The interviewee’s department (for managing directors: the whole company)

Describe:
- the department (number of employees, organisational structure, etc.)
- work tasks and activities within the department
- the relationship with other departments (distribution of work and responsibility areas)
- recent organisational changes within the department, or in relation to other departments

Identify and describe:
- major challenges for the department

3. Strategic planning (for managing directors)

Describe:
- the way of planning for the future (time perspective, formalisation, people involved, etc)
- strategic plans and long-term goals (the character, types of, etc)

Give examples of (and if possible show me):
- plans, goals and visions
4. **Budgeting**

Describe:
- the budgeting process/processes within your department, if any (terms of reference, the use of instructions, people involved, revisions, etc.)
- your involvement in budgeting processes (company, department)
- the departmental budget (contents, structure, etc)
- the distribution of prepared budgets
- how the budget is followed up (formally/informally, people involved, point in time, etc.)

From your point of view, try to identify:
- difficulties with respect to the budgeting process
- reasons for having/not having budgets, for the company/departments
- reasons for following up budgets
- effects due to recent changes, if any
- strength/weaknesses with respect to budgets and budgeting processes
- needs for further improvements

Give examples of:
- situations/events which lead to a budget revision during the period
- deviations from budgeted figures, which cause action
- people/groups you discuss budgets with

From your point of view, explain:
- how you use budgets (company, department) in your work and in your management duties
- why budgets are important/not important in your work/ for the company in whole
- when and why you discuss budgets with others

5. **Reporting**

Describe:
- accounting reports that you receive from the controller/accountant
- how you use these reports in your work and in your management duties
- recent changes with respect to reporting
- in what forums these reports are discussed
- how your subordinates report to you, if they do
From your point of view, try to identify:

- important information within these reports (accounting reports, subordinate’s accounts)
- reasons for receiving these kinds of reports
- effects for you and your department due to recent changes
- strength/weaknesses with respect to reports and reporting processes
- needs for further improvements

Give examples of:

- people that you discuss the reports with
- issues/outcomes that requires discussion with others

6. **Project planning and reporting**

Describe:

- your part in the process of planning, estimating and following up projects, if any
- recent changes in the system

From your point of view, try to identify:

- important information within plans, estimations and/or project reports
- reasons for having a project cost system/project planning system
- effects on your work and your department due to recent changes
- strength/weaknesses with respect to the system
- needs for further improvements

Give examples of:

- issues that requires discussion with others, related to project plans, estimations and reports
- people you discuss with

7. **Performance measurement and rewards**

Describe:

- how goals and targets are determined within your department
- how and to whom targets are spread
- how performance is measured and rewarded (for you, your department, other members within the department)

Give examples of:
goals/targets for the department (explicit/implicit, quantitative/ qualitative)
• goals/targets for specific groups/individuals
• performance measures (financial /non-financial, key ratios)
• endeavours that have caused a reward (within the department, by yourself)

From your point of view, explain:
• why goals/targets exists (company, department)
• why performance measures are prepared (company, department)
• what a good/bad performance is (for the company, for your department, for departmental members, and for yourself)

8. Remaining Issues on MCS

Clarify:
• if and how you – or someone else within the department – make profitability analyses on product groups, markets, customer groups or single customers
• why such analyses are made and how they are used
• if and how you – or someone else within the department – make profitability evaluations before making investments/engaging in new ventures
• why such analyses are made and how they are used
• if there are any other planned or wished changes with respect to the management control system, related to your department and your work

9. Remaining Issues on Entrepreneurship

Explain:
• what you do when you get an (new and pioneering) idea
• how you encourage your subordinates to came up with new ideas
• how creativity and new thinking is encouraged within the company in general, if it is
• what impede creativity and the ability to act within the company
If possible, give examples of:
• a creative/pioneering idea
• a creative person/group of people
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