Management Control as a Package in Growing Startups

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Abstract

Title: Management Control System as a Package in Growing Startups – a Case Study

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Key word: Growth, management control system, management control package, startups, innovation and uncertainty.

Background and problem: Today, growing start-ups create most of the new jobs. The use of management control systems (MCS) increases as the company grows. This leads the company to abandon the personal management and implement a more professional agenda using MCS. However, the challenge for implementing MCS in a growing start-up is more difficult to predict than a company with a longer business cycle. Therefore, it is interesting to know how and why management control system as a package is designed in growing start-ups.

Purpose: This paper aims to contribute to knowledge about how and why management control system as a package is designed in growing start-ups.

Methodology: The study has been conducted as a deductive qualitative study through interviews with six respondents at two startup companies. The interview guide was based primarily on the framework defined by Malmi and Brown (2008), which illustrates the configuration of management control system as a package. The model was complemented and influenced from empirical studies that concern management control system, innovation and uncertainty.

Analysis and Conclusion: The analysis examines the empirical material collected from the interviews conducted. Similarities and differences between companies are primarily discussed and categorized according to the model that forms the basis of the interview material. Clear differences and similarities were identified primarily in the use of corporate culture, planning, performance measures, reward systems and administrative controls.

Suggestions for further studies: For further research, we suggest to study how the various controls interact and relate to each other. Another suggestion for further studies would be to analyze whether there are external drivers behind the development of management control systems. One last suggestion is to study the principal and agent perspective in a fast growing start-up company.

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1. Introduction

The paper starts with a background describing start-up companies and the history of management control systems. This is followed by a problem discussion leading to the purpose of the use and design of management control package. The description of the overall disposition of the paper is then presented.

1.1 Background

Start-ups have been a well-spoken subject over the past decades. Startups are independent, young, innovative companies with the ambition to grow and with a competitive, scalable business model with international growth potential (Regeringen, 2016). The network, Malmö Startups, is observing south Sweden as one of the most thriving ecosystems in the Scandinavian startup scene. So far, venture capital investment in unlisted innovative technology companies in Skåne, is up to 1.1 billion, compared with last year's total of just over 650 million (Digital, 2016). In addition to the capital cities, Malmö has received more venture capital than any other city in Scandinavia (Veckans Affärer, 2016).

Startups create job opportunities, improve welfare and are the next generation of large companies. Besides having potential to grow themselves, the startups, in cooperation with other actors, contribute to improved innovation force, innovation pace and works as magnets to attract international capital and international talents to Sweden. The most important challenge for start-ups is the availability to competence and capital. Start-ups are an underutilized resource that could contribute to strengthen the renewal in the private and public sector. In order to exploit strong innovative start-up companies, it is important to increase the understanding of each party's conditions and processes, and strengthen the ability to cooperate (Regeringen, 2016).

The challenges are big for start-up companies and the government is making promises in a number of arrangements. The government claims to be investing in encouraged start-up politics. Projects like investing in new cheaper housing, mapping of how the process in recruiting overseas skills can be facilitated, are some proposals included in the autumn budget. (Entreprenör, 2015). Furthermore, knowledge and understanding of the design of management control systems are important components of a company's ability to grow (Davila, Foster & Jia, 2010). As the business grows, problems arise when coordination- and control problems can no longer be handled through informal communication. This creates new demands on the organization and increasing the need for formal control tools (Moores & Yuen, 2001).

1.2 Problematization

The use of MCS increases as the company grows. Thus, this leads the company to abandon the personal management and implement a more professional agenda using MCS. However, the challenge for implementing MCS in a growing start-up is more difficult to predict than a company with a longer business cycle (Merchant, Van der Stede, 2011).

Davila, Foster & Jia (2010) describes this issue:

"It's like moving from a two-person boat where it's easy to make sure you paddle in the same rhythm, to a 10-person boat where suddenly you have to spend more time on making sure it's the same rhythm for everyone."

- (Davila, Foster & Jia, 2010 pp.80)

Davila (2005) and Davila & Foster (2007) have also empirically demonstrated that companies also, in practice, carry out changes in their management control as the organization grows. A challenge that companies can face when they grow is that they get an increased need for structure and implementation of work processes that aim to increase internal governance in the organization. As startups grow and develop, this can slow down their innovation process (Freeman & Engel, 2007). Management and employees are driving individuals, entrepreneurs who are passionate about the mission and vision. An innovative workplace is complex, uncertain and employees want to work with the tools best suited to take advantage of their expertise. It is also important that companies have a good perception to understand how things are perceived to offer relevant products and services. In uncertain situations, manages can use action-and result controls (Merchant & Van der Stede 2011). With uncertainty come issues regarding the use of result controls. If employees do not understand how to generate the desired results, these controls are ineffective (Merchant & Van der Stede 2011). Control should be framed based on control system that encourage autonomy and rely on the judgment of employees informed by clarity about vision and objectives of the business (Davila, 2005).

The base assumption from the previous research is that management control systems are needed to support growth (Mitchell & Reid, 2000; Davila & Foster, 2007; Davila, Foster, & Oyon, 2009). The prominent researchers of MCS in fast growing start-ups are Davila and Foster. Their research highlights individual management control components in a group of individuals, on several fast-growing startups in America. Davila (2007) investigates how start-up companies adopt financial planning and evaluation systems. Managing organizations become difficult and more complex after attainted a certain size. The MCS is expected to contribute with a clear infrastructure, required to scale up the organization. Growth and MCS is reinforcing each other parallel with that companies are redefining their strategy (Davila, 2007).

However, previous research focused on management control systems has largely studying individual control instruments in organizations. The goal of these studies has been to explain the specific control instruments, development, use and impact on an organization's operations. Malmi and Brown (2008) argue that MCS should be examined from a broader perspective and discusses a number of reasons why the MCS should be studied as a control package. One reason is that a control instrument does not appear in the isolation of others. Studying the various elements of control elements alone can lead to erroneous conclusions (Chenhall, 2003; Alvesson & Kärreman, 2004).

There is a gap in the research about the MCS in different startup industries and how it evolves over time. It triggers an interest in the importance of developing the right components and strategy in a MCS as the organization is growing and meeting new challenges. There seem to be identified uncertainty related to fast-growing businesses in two levels.

"Environmental uncertainty refers to the broad set of factors that, individually and collectively, make it difficult or impossible to predict the future in a given area."

\- (Merchant & Van der Stede, 2011, pp. 686)

First, there is an uncertainty in the market the companies will break into, since the companies aim to create a demand that does currently not exist. The market uncertainty implies a risk when the responses from the intended users are unpredictable and the market is explained by being new or fast developed. Second, the structure of the company is related to uncertainty, as it tends to not continuously be refined in parallel with the actions of stakeholders. Especially since uncertainty is higher the farther one tries to look into the future but also when the pace of technology is high (Merchant & Van der Stede, 2011). By conceptualizing uncertainty in various dimensions we can understand different disciplines, find relevance about risks and how these are linked (Riesch, 2013).

1.3 Purpose

This paper aims to contribute to knowledge about how management control systems are designed in growing start-ups. Further on, it will investigate if there are patterns to be seen between the case companies. This leads to the research question:

How and why can the management control system as a package be designed and used in growing start-ups?

1.4 Definitions

1.4.1 Startups

Startup is a term that is defined differently depending on whom you ask. Forbes magazine asked a number of companies how they looked at the meaning of the concept. Some believed that startup is a company that works to solve a problem where solution and success is not a matter of course. Another definition of a startup company was based on the fact that the company and its product will be completely new to the market without any direct competitors (Forbes, 2013). In this study, startup is defined as independent, young, innovative companies with the ambition to grow and a competitive, scalable business model with international growth potential (Regeringen, 2016).

1.4.2 Growth

Growth companies are defined as companies with at least ten employees at the starting point and a growth of more than 20 percent in amount of employees over a three-year period (Svenskt Näringsliv, 2012).

1.4.3 Innovation

Innovation is a broad term that may have different meanings. In some cases, innovation is about bringing completely new and revolutionary ideas that may change society or how to do a certain task in the first place. But innovation can be done at more subtle levels - sometimes by trying to find a solution to a problem and sometimes innovations emerge from pure coincidence.

The approach to innovation in this study is summarized as the ability to successfully develop and introduce new processes, services and methods that result in significant improvements in quality, efficiency or effectiveness (Business Dictionary, 2017). Innovation includes organizational forces that nurture, identify and translate an idea into value (Davila, 2007).

1.4.4 Uncertainty

Uncertainty implies the set of factors that complicate the possibilities of predicting the future in a predetermined area. These factors can be either individual or collective. Uncertainty can stem from actions of stakeholders, the economic- or political climate and natural conditions. The degree of uncertainty is higher when the pace of technology is higher, the business cycle longer and the farther one tries to look into the future. (Merchant & Van der Stede 2011)

1.4.5 Management Control System (MCS)

The definitions of management control system (MCS) assigned different names and are defined differently in the management literature. We have adopted Malmi and Brown's (2008) framework. They define management control system as the basis of the tools or systems managers and management can use to ensure that the employees' decisions and behaviors are in line with the organization's goals and strategies. Their framework is presented in detail in Chapter 2 Theoretical Framework.

1.5 Disposition

Introduction → Theoritical Framework → Method → Empirical Results → Analysis → Discussion and Conclussion

2. Theoretical Framework

This section presents the reviewed literature for this thesis. It is divided into four sub-sections; MCS as a package, motivation MCS for innovation and uncertainty. The framework presented by Malmi and Brown (2008) facilitates the design and use of MCS as a package in innovative and uncertain startup companies. Finally, the framework by Davila (2005) of management control systems design for innovation will be deployed to analyze the type of innovation strategy followed by each case company.

2.1 Management Control Systems as a Package

Malmi and Brown (2008) have developed a typology named control package, which can be used to describe how MCS interacts in an organization. This theoretical approach is based on many years of research by the MCS and the purpose of this typology is to stimulate discussion of the MCS and should not be considered a definitive solution for the control instruments of an organization to be analyzed. The strength of the typology is that it allows an analysis of all control instruments in an organization from a broader perspective, rather than to promote the analysis of specific control instruments. The control package includes five areas of MCS; planning, cybernetic control instruments, reward systems, administrative control instruments and cultural controls, see Figure 1 (Malmi & Brown, 2008)

Figure 1 MCP (Malmi & Brown, 2008, p.291)

MCP is divided into five components, each described below.

2.1.1 Cultural Controls

Organizational culture can be defined as:

"*The set of values, beliefs and social norms that tend to be shared by its members, and in turn influences their thoughts and actions.*"

- (Flamholtz, Das & Tsui, 1985, p.158)

The culture that exists within an organization can sometimes be beyond the control of managers, however, it does not consists of an inferior control system when it is used to regulate behavior. Within the group culture are three parts, value-based control, symbol-based control and clan control and are described below. (Malmi & Brown, 2008)

Values are based on Simon's (1994) discussion of "Belief Systems":

"*The explicit set of organizational definitions managers formally communicates out to provide basic values, purpose, and direction for the organization.*"

- (Malmi & Brown, 2008, p.294)

The core values of the organization can be linked to organizational strategy.

Further, symbol-based control is based on how the organization has built up the visuals, the current buildings, and office dress codes and how to possibly develop a certain type of culture within the organization. Clan consists of subcultures, micro cultures individual or groups within the organization (Malmi & Brown, 2008). Clan control is also described in the same way and claims that people often want to define themselves and belong to a group based on the example of organizational units and divisions that have common values and ways to perform actions on (Merchant & Van der Stede, 2011).

2.1.2 Planning

Planning is a form of control based on enabling coordination between the individual and organizational goals. It is not just about goal setting, but the employees should also be controlled for the objectives to be achievable, in other words, to control employee behavior. Planning is divided into two groups, long-term plans and short-term plans. Long-term planning has a more strategic view of goals and performance in the longer term. Short-term plans is however to present a tactical plan of the targets to be achieved over a period of twelve months (Malmi & Brown, 2008). Planning and budgeting together constitute a performance management, planning can be done without referring to the financial targets, unlike budgeting (Merchant & Van der Stede, 2011).

In strategic planning, managers can control the employees' actions and behaviors through various projects in the form of operational planning. Planning is treated as a separate system in the MCP, and it is important to distinguish between the planning of future activities and processes aimed at building employee commitment (Malmi & Brown, 2008).

2.1.3 Cybernetic Controls

Cybernetic control is an information system that is used to detect undesired deviations in terms of behaviors and activities that are contrary to what is in the best interest of the organization (Malmi & Brown, 2008). In cybernetic controls, there are four different parts identified. The first part is *budgeting*, which is a central part and a basis for MCS in most organizations. That because it has an ability to present a comprehensive plan that serves many purposes and can be used for trend analysis and forecasts.

Another part consists of *financial control measures* used to hold employees accountable for specific financial measures, which may be related to the budgeting process. Furthermore, the third *non-financial dimensions* increasingly important in organizations, they can be used to address the shortcomings of the financial dimensions and identify the causes of performance.

The final section consists of both financial and non-financial control measures and called for the *hybrid system*. A hybrid system that dominates today is the balanced scorecard (BSC), (Malmi & Brown, 2008). The BSC provides the opportunity to provide further perspective by checking the customer perspective, process perspective, the development perspective, the human perspective and not just the financial perspective. Furthermore, they believe that the different perspectives exist to support each other and create a balance between short and long term objectives. There will also be links between strategies and objectives (Merchant & Van der Stede, 2011).

2.1.4 Reward and Compensation

According to Merchant and Van der Stede (2011) the primary benefit of the reward system in an organization is that they have a motivating effect among employees. Further, rewards can help to make employees aware of the areas that are considered important within the organization and can be used by management to control its employees in the desired direction. Reward systems can be used to maintain but also to recruit qualified individuals to the organization. Reward systems can be divided into positive and negative, with positive rewards aimed at things that people appreciate. The most common form of reward is a wage raise and bonuses, but can also be of non-monetary nature. Monetary can consist of salaries and bonuses and non-monetary may be promotions, power and independence (Malmi & Brown, 2008). Furthermore, negative rewards are regarded as penalties if targets are not achieved. They seek things that the individual does not appreciate, for example, demotion, public humiliation and lack of wage increases (Merchant & Van der Stede, 2011).

2.1.5 Administrative Controls

Administrative controls described as direct control system, which includes the organization of individuals and groups. They make employees responsible for their behavior by specifying how the tasks should be performed, which also includes monitoring of these behaviors.

Administrative controls are divided into three groups. The first part is policies and procedures and is used to bureaucratically manage the processes and behaviors that are in an organization. They include standard operating procedures, practices, and regulations and policies (Malmi & Brown, 2008). In the document management, policies and procedures play a major role. Examples of these are behavioral constraints, examination before action and responsibility for their own actions (Merchant & Van der Stede, 2011).

Further, control structure deals with the *governance structure* of organizations governance and how it is composed, and describes how the coordination looks both vertically and horizontally. The structure comprises formality, timeliness and accountability within the organization. *Organizational structure* is the last group and provides an overview of what the organization looks like, its structure and aims to encourage certain types of connections and relationships. An organization may be using the organizational structure of specialization and control promotion and reduce the differences in behavior and increase predictability (Malmi & Brown, 2008).

2.2 Motivation

Crucial success factors is the company's ability to recruit, manage and engage their employees with a focus on continuous improvement and organize activities for a more efficient allocation of resources and better achievement. Competence and organizational development are two sides of the same coin and must be linked to each other in order to achieve the expected effects. Management's own commitment and action, the priority and resources they allocate to quality management work, is of great importance for maintaining the entire organization's commitment (Andruss, 2012).

The study by Ahrens and Chapman (2004) distinguish between enabling and coercive use of management control systems. The framework aims to provide a better understanding of the way management control systems can be used and structure day-to-day operations management. These two ways of divide principles of formalization in analogy with an aim of deskilling versus identify the usability in accordance to technology design.

Coercive control refers to the traditional top-down steering that advocates preplanning and centralized management control. Coercive formalization provides specific rules to avoid amateur incidents to occur. The principle allows restricted use and options for the employees in their actions. Coercive relies on elaborate pre production design and its nature lies in the imposition of

the logic of the members in the organization. In contradictory to the traditional way we face enabling control, which aims to predict the employees to deal directly with issues and challenges meeting them in their work. Enabling formalization is characterized by using the workers intelligence, which implies that formal procedures do not need to be designed to avoid undesirable incidents, in contrast to coercive formalization. They can be design to facilitate the employees to improve their way of handling inevitable contingencies.

Enabling and coercive control contributes with an understanding of the design of the management control systems and in which type of organization the different type of control is more or less successful. It is useful according to the fundamental concepts of the investigation concerning growth, uncertainty and innovation. These types of control can either enhance or reduce the motivation of an employee. Since motivation is included in the reward and compensation component used my Malmi and Brown (2008), it is considered relevant to combine it with the study of self-determination theory by Ryan & Deci (2000).

Self-Determination Theory (SDT) consist a broad framework, which focus on human motivation and personality. The theory frames several studies, which investigate the sources to intrinsic and extrinsic motivation, the different types of motivation in social and cognitive differences in individual development. It focuses on how factors undermine or facilitate the sense of volition and initiative within people, in addition to the quality of their performance and their well-being. Conditions that encourages a sense of competence, autonomy and relatedness is claimed to increase a high quality motivation and the involvement for activities. These include persistence, creativity and an enhanced performance. The theory also claims that the degree to which these needs are taken into consideration will have a tangible impact on the wellness of the employees (Ryan & Deci, 2000).

The theory of Ryan and Deci (2000) constitutes the underlying factors, which affects the motivation of the employees. The factors can describe the elements and causes of the companies' choices regarding their use of rewards and compensation tools. It could also explain how their management control is affecting the employees' motivation and how this in turn encourage or contradicts growth.

Both theories can contribute to the knowledge of how these tools influence a continued innovation and growth, during uncertain environment in two levels.

2.3 MCS for Innovation

Davila (2005) distinguish between incremental and radical innovations as well as structural and strategic contexts. To engage in exploration activities there is a need for radical innovation and in exploitation activities, the innovation type is incremental. The framework by Davila (2005)

captures the effects of different types of innovation on strategic change, divided in two dimensions, locus of innovation and type of innovation:

Table 1 Strategic concepts for MCS

	Type of innovation defining strategic change	
	Incremental	**Radical**
Locus of innovation		
Top management formulation	Deliberate strategy	Strategic innovation
Day-to-day actions	Emergent strategy / intended strategic actions	Emergent strategy / autonomous strategic actions

Table 1. Source: Davila, 2005 p.42

Deliberate innovation is shaped at the top levels of a company but it also happens through emergent strategy, day-to-day actions (Davila, 2005).

Moreover, Davila (2005) developed a framework of MCS that defines how innovation is embedded in the strategy of the organization. The framework highlights different types of innovation and the different methods for innovation to emerge. Furthermore, the framework examines the relationship between MCS and innovation:

Table 2 A model of MCS for innovation strategy

Components of strategy	Organizational context	MCS role
Current strategy		
Deliberate strategy	Structural context	Support the execution of the deliberate strategy and translate it into value
Induced strategic actions	Structural context	Provide the framework for incremental innovations that refine the current strategy throughout the organization
Future strategy		
Autonomous strategic actions	Strategic context	Provide the context for the creation and growth of radical innovations that fundamentally redefine the strategy
Strategic innovation	Strategic context	Support the building of new competencies that radically redefine the strategy

Table 2: Davila 2005 p.47

MCS is of great importance in order to manage innovation and shape the strategy. Davila (2005) emphasize this relationship along four lines; delivering value from the current strategy, refining the value creating process from the current strategy, craft radical innovations throughout the company, and build new competencies for strategic innovations.

The use of MCS in adopting innovative strategy under conditions of uncertainty, experimentation, flexibility, intrinsic motivation and freedom is limited to minor improvements.

Some MCS are more adapted to the specific requirements of each of these four roles, but they should not be viewed as mutually exclusive categories. For example, the implementation of a particular project - managed by value-generating systems - can raise questions that lead to a radical idea. Similarly, systems to refine the current strategy can reveal a potential risk that leads to strategic innovation. Furthermore, the importance of each type of system increases when the strategy changes. Young strategies may require organizations to place greater emphasis on incremental innovation systems to accelerate the learning process. As strategies mature, the importance of these incremental learning mechanisms is expected to fall in favor of systems for implementing strategy. Similarly, the emphasis on radical innovations varies with the success of

the current strategy, with the place of relevant knowledge and with the dynamics of the environment (Davila, 2005).

The theory of Davila is contributing in our study since it reflects upon the strategies and actions needed to be able to grow and innovative. Davila also examines uncertainty and how this could be prevented. This is relevant to the purpose of our study because the fast growing companies are related to uncertainty in two levels.

2.4 Uncertainty

Uncertainty can stem from several factors in change, including political and economical climate, natural conditions and actions from stakeholders. The pace of technology influences uncertainty, early judgments of the future but also by a longer natural business cycle. Common is that these factors increase the degree of uncertainty. It is claimed that uncertainty may have effects of management control systems. Uncertainty leads to issues regarding the use of action controls (Merchant & Van der Stede, 2011).

Action controls are controllable only in two prevailing permissions, either if there is knowledge about which actions that is desirable and if these actions continue being desirable. This requires the managers to develop knowledge about the desired actions and a personal involvement of the activities that should be controlled. It also infers the managers to more frequently use pre action reviews, involve themselves into face-to-face meetings with the controlled employees and a use of direct observation (Merchant & Van der Stede, 2011).

When action controls are inappropriate managers tend to rely on result controls instead. Even under high uncertainty it can be useful with result controls since employees can be rewarded related to a higher performance than the desirable generation. However, result controls can be difficult to use under high uncertainty as well. If the employees do not understand how to generate the desired results, the controls are not effective. Uncertainty tends to destroy the employee's ability to understand how to generate the results. Furthermore, uncertainty tends to affect the organizational structure and the decision-making. This fact increases the complexity in the tasks of the management (Merchant & Van der Stede, 2011).

As mentioned above, uncertainty is a prevailing permission in growing Start-up companies in two levels, both within the organization and in their environment context. The study by Merchant and Van der Stede (2011) facilitates the investigation of potential risks within start-up companies. By making some refinements in the management control systems, the related uncertainty in companies can decrease. Moreover, Davila (2005) examines potential actions and strategies to manage uncertainty, strongly related to the claims in the study by Merchant and Van der Stede (2011).

3. Method

In this section, the research design of this thesis and the argumentation for our choice are presented. We also provide a detailed description of the selection of our case companies and our data collection techniques and sources used. In addition, the design of the interview guide is analyzed. Lastly, the limitations of our research method are acknowledged and the reliability and validity of our study is assessed.

3.1 Research Method

Since our study aims to creating a better understanding of management control in growing startup companies, we see a need to use methods that we can get a deeper knowledge of the management control of a few case companies. This is believed to be more achievable with a qualitative approach. The qualitative method will therefore result in more in-depth and detailed data that has not been limited by predetermined questions (Bryman & Bell, 2015). This enables us to analyze in detail how management control is managed in startups.

It is formed in an inductive onset since we did not try models or formed any hypothesis. Rather we have used an investigating procedure. We used a descriptive approach to explain the results we received and explored in the study.

3.2 Design

To reach the depth of knowledge required to answer our research questions, we have chosen to use case studies in two growing startups. One reason that the case studies are popular and relevant to generate theoretical is to build a bridge between the conclusions built on qualitative data and deductive research (Eisenhardt & Graebner, 2007). As we previously identified difficulties in formulating hypotheses and deductive conduct research in the designated area, we can through multiple case studies contribute to a more clear and homogenous theoretical reasoning. This will allow for future deductive research.

Case studies are often used to understand a complex social phenomenon and is appropriate when the purpose is to answer the questions "*how*" and "*why*". We have chosen to use several case studies to make research more robust than in the case of only one case company would have been used. Using several case studies will also create a more stable foundation for the generation of theory and provides the ability to continuously improve the understanding of the research and to correct models and ideas for every new case study (Yin, 2009).

Several case studies also give the opportunity to compare the different case studies with each other to create better understanding and generate more generalizable theory (Eisenhardt & Graebner, 2007). The same authors argue that multiple case studies do not necessarily need to include a large number of cases to increase the analytical possibilities and the quality of the generated theories. We therefore believe that the two cases companies constitute a reasonable number to illustrate our theoretical points and contribute to the generation of new theories.

3.3 Data Collection

For the collection of primary data, we conducted semi-structured interviews of our case companies. The interviews are divided into three main types, unstructured, semi-structured and structured. The first two are used in qualitative research and differs in several respects from the structured interviews frequently used in quantitative research. Semi-structured interviews start with predetermined questions about a specific topic, but the interviewee is given the opportunity to describe situations and adding aspects not covered by the questions. The interview deviations from the predetermined questions is encouraged, as this gives a glimpse of what the interviewee sees as relevant and important. Qualitative interviews are thus more flexible. The questions do not need to be in a specific order, and an individual can be interviewed several times if necessary (Bryman & Bell, 2015).

3.3.1 Choice of Theoretical Framework

The literature and the scientific articles used have been carefully chosen according to the subject area. A few of the sources used have previously been part of the course literature, which means that we consider them to be credible and useful in this context. Other sources have been selected based on its content, as well as its timeliness. We have deliberately avoided sources written a long time ago, as we cannot make sure they are still relevant or provide a fair picture of the current situation, regarding fast growing start-up companies. The explanation of the older sources used is that they still is considered relevant in today's business environment. In addition, literature on the basic level has also been avoided, in favor of books written at an advanced level.

The scientific articles have mostly been obtained from Lund University's database, but also from literature, which in turn referred to additional articles in the area. The articles are chosen to give a wider knowledgebase to stand on and, as the scientific literature, considered credible and not angled in any way. Non-scientific articles have been chosen with care and are only used to develop the background and empirical section of the study.

The keywords used have been: growth, management control system, management control package, startups, innovation and uncertainty.

3.3.2 Choice of Companies

When choosing the appropriate startups, we began to visit Minc and The Ground, the startup houses in Malmö. We also went to the Start-up Fair in LTH, Lund University. Visiting these places facilitated the selection of the startups and thus misunderstanding that arises, for instance in email conversations, were avoided. The chosen case companies are based on conscious criteria. The case companies in our study have been chosen according to several criteria mentioned in this section.

Growing startup with more employees increase the possibility to interview three employees in different positions, in the organization. The possibility to conduct and assess interviews made in only two companies but with three employees in each organization increases the possibilities to broaden the analysis. It facilitates the analysis to go deeper into details and the perspectives of the management control systems.

One of the criteria was that the companies should be in different industries. The reason was to provide a picture of how the management control can differ in different industries but also how it differs in how it is evolving over time. This in turn can contribute with highlighting what industry that manages their organization most successful. A second criterion was the number of employees, which we limited to be in a range of 27 to 50 employees. A third criterion was the selection of the companies based on their geographical position, which in our study are startups in Skåne. Finally, we chose to focus on the internal MCS and avoid the external focus, even though stakeholders are important.

Company A has been active since 2008 and is located in Lund. The company has currently 50 employees, with a majority of scientists. The company does not currently make any revenues and their survival is totally dependent on a continued investing capital by investors. The company focus on the interests of the owners, whom are both, stated owned companies and private companies. The challenge of company A is to launch their product in the market.

Company B is a provider of second-hand office furniture, bought from companies. The business idea is to customize the furniture according to the customers needs. The customers consist to 99 percent of companies. The company has been operating for 5 years and has been growing markedly the last two years. The earnings are amounted to approximately 15 million SEK per year. The company has currently 28 employees and is located in Dalby. Their biggest focus is the customers. The challenge of company B is to expand in other locations in Sweden.

3.3.3 Interviews

Interviews are probably the most used data collection method in qualitative research. As the names suggests, interviews in qualitative research tend to be less structured. The questions are

often of a more general nature and answers may well be detailed, as interest in the respondent's own perspectives and views great (Bryman & Bell, 2015).

Through the use of an interview model, we have been able to steer the interview in the desired direction and at the same time able to adapt the questions to the areas that are of great importance and interest for the interviewee. A certain degree of structure, however, has been important, why we opted out unstructured interviews, in order to see the similarities and differences between the case studies and from there draw conclusions. The interview guide was inspired by the framework of Malmi and Brown (2008) as a tool to identify issues of particular importance. The framework were used as a guideline for the interviews rather than regarded as a complete frame. We asked the respondents to describe the respective company development, financial and related key figures in the framework particularly adapted for our study (*Appendix 1*).

In total, six interviews were conducted, three interviews in each company. The point of having several interviews in each company was to increase the understanding of the management control but also to be able to identify possible deviations in the perceptions of the use of the management control. The motivation of this choice was to enable descriptions about the systems and to capture important aspects that we might have lost if we did not allowed dependent further questions. The interviews were executed face to face in each of the company's location. We choose to do this to increase the possibilities to reach out to the desirable quantity of employees we wanted to interview. Another reason why we preferred to execute face-to-face interviews was to be able to identify possible uncertainties related to the questions, which easier could be noticed and explained face to face. A brief description of the interview questions was sent out to the companies before the interview in order to be time-effective and ensure to get the maximum information available.

In order to avoid an incorrect or partial interpretation of the respondents' responses, summarizing the interviewer briefly validated the answers. This tool can lead to a more appropriate and correct interpretation of the interview response. (Saunders, Lewis & Thornhill, 2009). Following the approval of the respondents, the interviews were recorded and subsequently analyzed. The benefits of recording were considered to be possible to make direct quotes. Recording also facilitates active listening as well as provides accurate and impartial recording. The disadvantages, however, may be technical problems and a possible focus on the recording (Saunders et al., 2009).

Below is a table of those who have been interviewed, characteristic of interview, date and length:

Company A

Position	Method	Date	Length
CFO	Personal	18.04.2017	50 minutes
Director of Cell Engineering	Personal	24.04.2017	50 minutes
Financial accountant	Personal	24.04.2017	60 minutes

Company B

Position	Method	Date	Length
CFO	Personal	20.04.2017	60 minutes
Coordinator Manager	Personal	20.04.2017	60 minutes
Financial accountant	Personal	20.04.2017	45 minutes

3.3.4 Choice of Respondents

In order to collect sufficient data it requires that each interviewee have a good insight in the company's financials and historical development. It was therefore important that the interviewees had worked in the company for a longer period, or had the opportunity to acquire the knowledge necessary otherwise. As our study largely focuses on the issues closest to residents at management selection has also been made on the basis of the position of the company and focused on the CFO or Chief Controller. Thus, they were chosen as they possess the most comprehensive knowledge of the company and that are in leading position within the company. To supplement its knowledge, employees who have participated in the company's trip have also been selected, i.e. employees who have worked for the company for a long period, thus looking at differences in how the company has been controlled over the years. By using the CFO, CRO or controllers as the main respondent and complementing other employees' views on the situation, it contributes with giving a deep and comprehensive picture of the company.

A problem in interviews that must be addressed is the risk that the interviewee has preconceptions or is affected by other factors that could be predicted (Eisenhardt & Graebner, 2007). To address this, we have strived to interview at least three people in any case company.

3.4 Reliability

Reliability is a term that describes how reliable the data collected and refers to that the outcome of the study would be the same if a similar study was conducted, or if the result seems haphazard

and temporary (Bryman & Bell, 2015). Quantitative studies should have a structured approach to achieve high reliability with regard to the quantification of key concepts. The questions in the study questionnaires answered with the help of a few possible answers reduce the risk of misinterpreting the answers compared to unstructured interviews. These interviews increase a risk that the respondent makes their own interpretations of the questions, which can generate misleading results (Bryman & Bell, 2015).

3.5 Validity

Since both MCS and startups are multifaceted concepts, we find it relevant to report applied definitions and thus enhance validity. The reason to this is because we have concluded that the choice of definition may affect the analysis of the empirical data collected and, by extension, what conclusions will be drawn.

In this study, we have tried to minimize the risk of misinterpreting the results using the Malmi and Brown's (2008) definition of management control as a package, to ensure that there are changes in the management control system we investigate and nothing else. Thus, our interview guide is inspired by the questions outlined by Malmi and Brown (2008).

3.6 Method Limitations

As our study was limited to 10 weeks, we have not been able to do case studies over a longer period. We also had to limit our research study to be including two companies in two industries instead of four companies in two industries, as we preferred in the beginning. The time limitation and the response from the case companies are two important factors that affected our choices and our results. Since the communication was limited, we chose to conduct detailed and extensive interview questions, which allow a deeper analysis that might enable a more direct contribution.

3.7 Method Criticism

One critique to the method of the company choice is that it would be more general contributing if we used two industries with two companies in each. This might have enabled conclusion that some industries choose to manage in one kind of way and another business in another way, under the condition that we could see traces in the industry. Since there were restrains related to industry-choices with various number of employees combined with the time-pressure, we decided to focus on two different industries instead.

Earlier it was mentioned that the empirical material is collected through interviews. Criticism can be addressed to this material. It should always be questioned if the correct selection of interviewees has been conducted or in case of incorrect selection of case companies. For instance, our study has not conducted interviews with the department of human resources. By including the HR department, another aspect on the management control systems could be

obtained. Furthermore, the questionnaires can be questioned, because incorrect questions can lead to the answers not responding to what is being investigated. In addition, the answers should be examined to see if they are angled, in order to investigate the company more thoroughly. Furthermore, another critique is the limited access to company A since it contains confidential information.

One last critique to our study is the lack in of the relationships between different levels of the company. The results of our interviews did not contribute with knowledge about how these levels are managed and how these impacts the management control systems. This is because we could not identify deviations between the employees and their missions.

4. Empirical Results

The following sections provide background facts about the two companies we investigated and a summary of the six interviews that were conducted to identify existing components in the management control system of the companies.

The empirical results presented in this chapter are based primarily on the interviews executed with the respondents in each of the two companies. The results of the interviews will be based on the response from the CFOs and complemented with the other respondents in those cases where these respondents either add more information or disagree with the CFO. This clarification will appear through the results. We focused on finding a contingent picture and the presented material in this chapter is consensus in both companies. The empirical results will provide a consistent overall picture of the case companies. The results will also provide a collective image, finding similarities and differences between the case companies.

4.1 Company A

Background

Company A is a start-up company with a fast-growing business which aims to meet a marketplace need by offering an innovative product in solar energy area. The company was launched in 2008 with the business idea to make solar cells as efficient and cheap as possible, by using nanotechnology, and thus be able to compete with fossil energy. The company is quite newly emerged and the product of the company has not launched in the market yet. This implies that the revenues from sales do not exist in the current situation. The company is financed by the investors, who contribute to the success of the company. The financials and invested capital arise from a number of big investors who are critical experts and understand the industry.

The next challenge for the company is to launch the product on the market. This will be possible if all the problems are resolved, not only technical but also cost-effective issues. Otherwise, it will not be launched in the market. Central to the overall future success of the organization is to release this product at the right price.

Corporate Controls

The corporate culture is scientist-intensive, encouraging more freethinking and innovation in the company. Employees are supposed to find flexible solutions and do not need to follow the routines. *"There are no routines when you work with this type of product development because what you learn today, you need to take along tomorrow to further develop" (CFO).* It is exciting with an HR function that is capable of asking the right questions and finding the right people. The HR function explains working environment in the company and the diversity of individuals

working there. The Company has a history of having quite a few foreign CEO:s and employees. Thus, there is a multi-cultural environment and the company aims to be an attractive work place where employees want to be a part of a new culture. When it comes to dress code, employees wear casual clothes.

The formal education is focused on safety, which is a huge part of the culture. The common values of employees are that everyone is interested in environmental aspects and feel proud if they succeed and make a difference in the world. The goal of the company is to constantly solve problems and get the product out. It requires employees to be flexible, problem solving, innovative, cooperative and open-minded.

Planning

The planning process is getting the budget approved. It is difficult to predict what is required to be done in six months, but the planning is based on having a wealth of resources. Budgets must not be too controlled since people will stay too focused on it. The planning is based on short-term goal of achieving milestones quarterly. An example of a milestone is to show that a nanowire has positive and negative contact. The milestones are broken down into smaller goals and projects in the different departments. The goals are mostly technical goals, but in long-term, according to the CFO, it will also be market goals. These are discussed during the weekly meetings with different groups, presenting new plans and updates.

In this type of business, the basic technology is uncertain. It is a new technology and not, for instance, like a programmer who knows that basic technology will work. The company has a much longer perspective in order to build the basic technology, which can take a long time to build.

Cybernetic Controls

In company A, owners have representatives in their board that guard their interests and approve the strategies. There is an ownership interest because they enter into Venture Capital at an early stage and usually want an exit-point. The owners want to build the company to a value as high as possible before they pass it over to the next buyer. Plans and strategies are generated from the owners and then communicated via executives who elaborate the strategies. Then, detailed plans are made within the groups in each department, based on which milestones to reach. Afterwards, budgets are made in the company.

Budgets

The company uses budget and rolling forecasts. Most often, they are short for the financial year as needed. Every technical director, together with their teams, prepares a budget for their department. The CFO manages the overhead and finance. This is monitored on a monthly basis, with financial statements covering each month. The CFO, together with technical directors,

analyze and compare the results and the variance. The technical directors are then responsible for the budget. There is a system for purchasing that it is not negotiable and employees are not allowed to exceed the budget. In addition, the employees do not work with other key financial measurements. The employees are not specifically responsible for the budgets but, instead, the technical directors are held accountable.

Financial and non-financial measurements
The non-financial key figures used are milestones that are the main focus. Everyone therefore contributes with their part and thus becomes responsible for it.

Other non-financial measurements that the company pays attention to are focused on safety. The goal is to keep down the number of reports and then follow it up. Furthermore, the company also pays attention to how well individual goals are achieved and also goals related to milestones. These are analyzed by surveys and statistics. Moreover, the HR-departments measure the employee satisfaction and if the company has delivered according to employment agreements.

Reward and Compensation
The company has a bonus program that is based on milestones and those who achieve the milestones receive a financial reward, which is the same for all regardless of position. The reward program is based on the fact that everyone collaborates in all situations. There exists no "us" against "them" attitude. Apart from the bonus program, there is also a warrant program where employees are entitled to subscribe or acquire shares. The number of warrants the employees receives depends on their position and is based on ensuring that employees have the same interests as the owners. The employees will also benefit if the company is profitable. The CFO and the technical director are motivated by the reward system, especially if they can receive a good share value. The technical director also mentions that the warrant program retains employees in the company by offering employees better warrants, ensuring their loyalty. The company also rewards individuals that bring new innovative ideas which can get patented. Individual rewards are given to individuals based on what they achieve and the most common individual reward are increase in wages and promotions.

Besides the financial rewards, the company does not have non-financial rewards, such as education; instead, the company is attracting high-educated individuals. Thus, it is not necessary to use education as an incentive.

Administrative Controls
The organizational structure is a hierarchy on many levels since the company has grown. As for the common basic values, it can be improved, since there are three different departments that are independent of each other. According to the technical director, this could have been more

coherent; for example, by controlling the goals, which encourage integrating the common values. The whole organization is affected if certain goals are different in various departments.

There is an established decision-making process in which the CEO takes responsibility for the business, but the technical director is not excluded. When it comes to purchasing and other decisions, there are pre-established rules. There are various technical skills that look at the technical problems that have to be solved. There exist strategies and budgets, which are followed up by technology meetings where teams inform the status of their work and the problems that are encountered. This is also done to receive input from others during collaborations. Thus, everyone is depending on each other. There is much focus on technology and it is also used extensively with HR and safety. Employees are not restricted in their tasks since what the employees deliver and the solutions they achieve is of importance.

Furthermore, there are staff manuals, safety manuals; guidelines for work in the company. These are not checked frequently since the company does not have the same amount of details on how problems are solved. Instead, employees are encouraged to develop new innovative solutions.

Table 3. Summary of MC package in Company A

MCS components	How	Why
Culture Controls	• Innovative • Multicultural • Safety	Encourage employees to explore.
Planning	• Short-term: *Milestones* • Long-term: *Technical and market goals*	Radical innovation. To launch the product in the market. Ownership focus.
Cybernetic Controls	• Budgets • Rolling-forecasts • Safety	Uncertain market and technological complexity. Ownership control.
Reward and Compensation	• Bonus System • Warrants Program • Individual Rewards	Encourage employees to explore. Increase motivation. Retain employees.
Administrative Controls	• Policy • Safety manuals	Increase safety. Satisfy the stakeholders.
Other: **Motivation**	• Decentralized • Exploration • Empowerment	Intrinsic motivation. Promote development.

4.2 Company B

Background

The business concept of Company B is to provide customized second-hand office furniture. The company was founded in 2012 and the revenue is currently amounted to two million on a monthly basis. The vision of the company is to grow in Sweden and their next step is to establish in Stockholm, Gothenburg and Copenhagen in the near future. The biggest changes in the company are the introduction of routines and quality systems, descriptions about safety and structure. The company is also developing its own IT-system since the ones available in the market are not usable their business concept.

The company is growing with approximately 30-50% per year and has never used marketing. The next big challenge is to expand the business to bigger cities, which requires a new internal IT-system. The IT-systems, as well as the employees, are the most important factors in reaching success.

Corporate Controls

The corporate culture in company B is described as generous, with a huge customer focus. All employees are valued the same. The company has implemented dress codes. Employees working in-house must follow the dress code. The dress code represents the most common colors of flowers; green, pink and yellow. The colors are chosen in order to attract attention. Moreover, employees that install furniture and meet customers outside the office must wear protective equipment in order to maintain occupational safety.

New employees are influenced to the current corporate culture through an introduction and by learning the routines of the company. This is encouraged by continually ensuring that the employees share the same focus as the management. It includes a social agenda, which advocates participation and collaboration, as well as preventing bullying, racism etc. These messages are conveyed with kickoffs twice a year, but also on weekly, and monthly, meetings. This is an important factor since more than half of the employees are from abroad.

Shared values are always difficult in an organization because of the ripple effects, which means disturbances affected by factors in the environment. Disturbances and deviations in the values are handled through communications and solved directly. The CFO thinks the corporate culture in the company is facilitating their goal congruence since all the employees engage in their work and are aware of the environment. These are all factors, which the goal congruence is dependent on.

Planning

The long-term objective in the organization is represented by the mission to grow and establish in other cities in Sweden, as well as Denmark and other countries. Their short-term objective is to launch a new website connected to their database. The database allows to track the status of the stock, functions that the current website does not have. Furthermore, the new website will be able to manage more orders which the current website lacks, since it is handled manually. Today, more orders will lead to an inability of handling it manually. According to the CFO, when the new IT-system is marketed on Google Awards, LinkedIn and Facebook, it will increase their earnings up to 50 percent.

The board sets the objectives. The board is frequently discussing and making decisions about the objectives, which always are updated in their business plan. As mentioned above, the objectives are expressed through their kick-offs and reviews, but also on monthly and weekly meetings. The weekly meetings are representing the management but there also exist ordinary meetings with all the employees. The objectives are clearly decided and mediated throughout the organization to ensure that the employees are willing to strive towards these. The strategies that the company uses to achieve their success are the focus on quality and solving their customers' problems.

Cybernetic Controls

Budgets

The company uses a four-year budget rolling frequently. Since the company started, the budget has matched the outcomes perfectly. The CFO uses historical results and predicts the future of the market. The budget is followed up on a monthly basis to ensure that it matches the actual outcomes. The budget is used to compare the actual monthly earnings in the company with the budgeted monthly earnings. Thus, the company pays attention to the result, which margins there are, but also the overseeing of the cash flow in the company. The employees are not accountable for any of the budget objectives. If there is a need of buying a car or new tools related and required to provide their services, the employees are allowed to make these purchases.

Financial and non-financial measurements

The company uses financial measurements but aims to improve and develop them further. The cash flow is currently the most important one since the result is totally dependent on the stock. The company will try to connect their administration to a new-build internal IT-system, by using some form of analysis program such as QlikView. The employees are not responsible for the financial measurements. An external auditor controls all the financial reports, except the cash flow.

Furthermore, the company uses non-financial measurements such as reclamations and occupational injuries. The reclamations are utilized by learning from the ones that are repetitive. It is used as a feedback system in order to improve. Reclamation can be turned into something

positive leading to a higher earning and good revenue. If possible, find a solution that solves the problem fast so the customer returns. There is a direct reporting followed by the service provided which captures the satisfaction of the customer and the time spent on the service, to ensure that nothing is forgotten in the service. The employees are, to a certain degree, responsible for the non-financial ratios. The reason is to increase the awareness among employees of their performance and behavior and to ensure that they have the same focus as the company.

Reward and compensation
Company B is using a reward system where, twice a year, ten percent of the revenue is shared with the employees, weighted to their yearly salaries. This reward system works as a good linkage in the system, which permeates the whole organization. The reward system is affecting the company in a large context by contributing to a good edge in order to handle the customers. The employees are grateful to receive a bonus and perceive the shared revenue to be motivating. Apart from the CFO, the other respondents wish that the shared revenue were distributed every quarter instead of twice a year. The CFO do not consider any other financial incitement.

The company does not use any non-financial rewards since, according to the CFO; "*it is strongly related to a risk of not making the tax authorities satisfied, where non-financial rewards might be considered as offering hidden income.*"

Administrative Controls
There are policies and procedures documented in a completed quality system. This system is demonstrating all routines in the organization. It also gives clear descriptions of all the relevant tasks such as, how goods are received, how papers should be attested but also how to respond to customers. These descriptions are printed out and thus facilitates when new employees are educated in the organization. This is of great importance since the company frequently employs new personnel, which gives the opportunity to improve the understanding of the work. If there are deviations in their work performance, the management refers to the documentation. Employees are responsible for reading and following the routines in their daily work.

The organizational structure is quite flat. This structure makes the decision making process easier and faster. In parallel with a growing organization there is a need to structure, organize the business and distribute responsibility in the organization. *"The last two years, the employed personnel did increase with approximately ten per year. When I was employed in the organization about two years ago we were seven employees in the organization"* (The Coordinator Manager).

The company uses email communication to mediate information and feedback. For instance, the shared revenue is mediated to the employees through emails. The process of decision-making is predetermined through procedures and rules. If an employees is not concerned about the

environment, or involved in racism or bullying, the organization ensures the affected employee to leaves the company. This is mediated through meetings with the actual employee.

Furthermore, the employees have the opportunity to receive internal or external educations as soon as they are demanding it. This is discovered during the annual individual evaluation meetings between the employees and the managers. Moreover, the managers are taking into account the feedback of employees in order to improve communication and build trust.

Table 4. Summary of MC package in Company B

MCS components	How	Why
Culture Controls	- Dress code (Safety) - Multicultural	Attention. Common values.
Planning	- Short-term: *Launch the new website* - Long-term: *Establish in other cities*	Incremental innovation Growth Customer focus
Cybernetic Controls	- Budgets - Rolling-forecasts - Cash flow - Reclamation - Safety	Uncertain market. Customer service. Employee safety.
Reward and Compensation	Bonus System	Increase motivation. Improve customer service.
Administrative Controls	- Policy and Routines - Safety manuals	Increase safety. Customer focus.
Other**: Action control**	- Manuals - Job-app - Coordinator	Ensure satisfied customers Efficiency

5. Analysis

In this section, we have analyzed our collected empirical data based on interviews and applied our chosen theories and previous research. We also identified what type of innovation the company has adopted, according to the theories. The analysis is also presented based on the five areas the control package includes complemented with the theories.

5.1 Innovation Strategies of the Case Companies

The empirical data suggests that the two companies have different strategic approaches to innovations and therefore, also different issues. Company A is recognizing the need for radical innovation since the company continually strives to find new ways of launching the product to an acceptable price in the market. As Davila (2005) describes, radical innovation has a longer time horizon and higher risk and uncertainties. The radical innovation in company A requires funding that is reliant on the owners of the company, because of the ownership focus. Thus, the launch of the product will require a longer time horizon.

Autonomous strategic actions are described as emerging outside the current strategy and radically changes the future of the organization. The role of MCS, as Davila (2005) describes, is to encourage the employees to question, experiment, and explore outside the current strategy. In company A, the scientists and professions generate new ideas, which leads to an autonomous strategic action. This type of environment can be characterized as the belief systems that Simons (1994) describe. Company A establishes a structure built upon explorations and experimentation in order to facilitate radical innovation. Thus, managers in in company A define the objectives and not guide the actions (Davila, 2005).

The current strategy in company B is characterized as incremental, built upon already existing competencies in the organization moving within their existing business model. Incremental innovations are related to current products, which resemble the approach of induced strategic actions (Davila, 2005). Here, the role of MCS is to transfer information and knowledge throughout the organization to enhance learning and improve current processes and products (Davila, 2005). This is also describes in company B and their current MCS seems to facilitate this. Company B is decentralized with a strong emphasis on customer relations, with the purpose to transfer knowledge on customer demands throughout the organization. Customer demands permeate throughout company B, which enables incremental improvements to the products and services. This information fulfills the role of the MCS to facilitate interaction between day-to-day actions and strategy as described by Davila (2005).

Company B is too far from radical innovation and is represented as a low-risk company. The company is satisfied with the system that restrict the employees to explore. This type of system is characterized as the boundary system described by Simon (1994). Company B use the boundary system to improve the current MCS by specifying the risks and how these should be avoided, but also to block innovation and avoid risk exposure. This is an appropriate design of MCS until the IT-system is launched.

5.2 Management Control Package

5.2.1 Culture Controls

Cultural control can be divided into three subcategories, which are values, symbols and clans. Malmi and Brown (2008) mention that an organization's leadership can control the culture by recruiting staff based on their values so that they are consistent with the organization. This will help employees in an organization to have a common approach.

The culture of company A is characterized of being freethinking, multicultural, innovative, cooperative, open and problem solving. Organizational culture that encourages cooperation and openness also reinforces the internal motivation of employees by increasing employee sense of belonging (Ryan & Deci, 2000). Other important common values are focusing on safety and environment. HR department at company A emphasizes that employees live in this 'everyday life' and that they have been hired from the beginning with this point of view. The recruited employees are scientists and high-professions from all over the world and thus, there is a great diversity of culture in Company A. Since the most innovative companies shed light on radical innovation and continuous improvement in the development they work, it seems adapted in company A. According to Davila (2008) this creates an ability to capture potential skills and encourage innovation by opening up to the outside environment. Company A has scientists from all over the world and also use external experts to pay attention to the development of the product. This is in line with Davila (2008) stating that diversity is an important factor for innovative companies.

According to Malmi and Brown (2008), culture control often refers to symbols as one of three subcategories. Symbols can be created within the organization in order to develop the culture. For example, it may be visible expressions such as dress codes and buildings (Malmi & Brown, 2008). Company A has a casual and relaxed dress code.

The culture of company B is represented by a coherent spirit, being multicultural, and having a strong affinity, which infer that all employees have the same value. This is also reinforced by their dress code. Company B has chosen to implement bright colors as dress code in order to get attention and to represent flowers. It is also a way to ensure that the safety is maintain, which is a priority in company B. Dress code is an example of symbol-based control as Malmi and Brown

(2008) mentions as a way for company B to use visual expressions to create the desired corporate culture. According to Merchant and Van der Stede (2011), people want to define themselves and feel that they belong to a group, based on the unit and the common value, which could be interpreted as being encouraged by the dress code and the spirit in the company.

There is a great interplay and a strong driving force permeating the organization and the satisfaction of the employees. This makes it possible to consider that the goal congruence is encouraged by the corporate culture. The aim of belief systems is to control the core values by ensuring an existence of shared values and purposes in the organization and between employees (Simon, 1995). The design of the management control system in Company B is influenced by the belief system of ensuring new employees to receive a complete manual that mediates rules and the prevailing working routines. Furthermore, this is confirmed by the mentality to influence their employees into the culture and be a part of the solidarity, where everybody look and dress the same.

Another instrument in culture control, according to Malmi and Brown (2008), is clans. These may include occupational groups or smaller groups of employees. The respondents in our survey have not discussed this subcategory. However, in company A, the teams in the various departments of the organization are another form of clan controls. The milestones are broken down to each department to fit the respective functional area along with the type of professionals employed there.

5.2.2 Planning

Planning in Malmi and Brown's (2008) framework is of a financial nature, including strategic and organizational planning with little or no financial linkage. Planning control can be found in both companies, although different in each of them, as explained below.

Short-term planning, or the planning that extends within a year ahead, contains plans and goals to be followed and achieved within the period covered by the planning. Short-term planning is characterized by a more tactical focus (Malmi & Brown, 2008). Company A works extensively with short-term planning in form of budgets, rolling forecasts and to achieve the *milestones* per quarterly. It is important since their ownership focus relies on achieving these milestones and taking the product closer to a market launch. The CEO, together with directors from various departments, develops the entire planning. According to Malmi and Brown (2008) there is a difference between simply planning for the future and building employees' commitments to the plans. All the different directors are included in the process of planning the short-term business plans. It seems like the approach of company A is building the commitment of employees to include them in the process of how to achieve the targets. In this way, the company can steer their employees to make more efforts by informing them about the strategies of the company, and its goals, in order to control the employees in the direction they want (Simons, 1994).

In company A, the basic technology is uncertain to develop and get accepted in the market. It is a new technology and thus the longest planning spectrum of the company is to deliver the product, at the right price, into the market. The uncertainty in company A is high because the pace of technological change is high, as Merchant and Van der Stede (2011) also highlights.

The planning process of Company B is exclusively dominated by a focus of growing and establishing their business in several locations, reflected through long-term and short-term objectives. Their short-term objectives seem strongly related to growth since the new website will make it possible to impact the number of orders and customers, which will enable growth. The short-term planning in company B is represented by tactical targets that could be achieved over twelve months. Since both the short-term and long-term planning is exclusively focusing on growth and expansion, the planning constitutes a performance management that can be done without referring to financial targets in accordance with Merchant and Van der Stede (2011).

Furthermore, when the company is expanding, employees can easily get promoted. It is important to pay attention to the fact that planning is treated separately and should thereby distinguish between future activities and processes aimed at building employee commitment (Malmi & Brown, 2008). It is strategically considered that the management is aware of making this expansion clear to the employees, but careful in expressing how and when it will happen. Induced strategic actions are oriented to maintain the core business by defining guidelines. Induced strategic actions embed the objectives that the management defined, rather than prescribe how the organization should proceed (Davila, 2005). This is in line with the way of mediating the objectives by company B when choosing to not reveal how or when the expansion will be achieved.

The traditional MCS system including budgets, adopted by company B, is valuable in speed and efficiency but at the expense of innovation (Davila 2005). This is claimed since this type of MCS is effective in stable environments relying exclusively on robust systems. The short-term objective of the company is to launch their new IT-system, which will allow a bigger business, including more customers. However, the environment is uncertain with changing conditions and thus they cannot rely on their ordinary system. The current MCS is dysfunctional, sacrificing the long-term for short-term performance. If the company instead uses the MCS to guide the emergent strategy and build strategic innovations, the current innovation can be turned into value (Davila, 2005).

An autonomous strategic action is based on radical innovations, which are grounded in significantly different technologies and capabilities of the organizations. The radical innovations take origin throughout the organization and do not happen within the existing strategy (Davila, 2005). Since the future IT system in company B is required to provide the relevant tools to increase their business, the autonomous strategic actions are necessary according to the short-

term objective. The estimation of the IT-system launch, connected to the marketing, is increasing the earnings up to fifty percent. This launch also indicates uncertainties. Merchant and Van der Stede (2012) claim that uncertainty is higher where the pace of technological change is higher.

Customer focus is central and permeating the culture, especially when services are followed up after a completed assignment, through direct reporting. This aims to capture the satisfaction of the customer and the time spent on the service, to identify possible incompleteness in need of remedy. This type of control is in line with the coercive and enabling theory by Ahrens and Chapman (2004). Coercive control provides strictly determined rules to avoid trivial incidents to occur, and only allows restricted options to the employees in their actions (Ahrens & Chapman, 2004). Company B seems to adopt coercive control to make sure that employees who are not cooperative leave the organization. Another control that indicates the use of coercive control is the approach of the management to immediately notify new employees about the routines and manuals. These describe in detail how the tasks should be managed.

In order to be more innovative and meet new demands, the organization needs to redefine their current strategy (Davila, 2005). By taking the customers interests into account and consider their needs, it allows the company to be more innovative and capture new ideas. The strategy of company B is characterized by constantly paying attention to the customers and their needs. This is significant in how the company offers customized products and with a participation of the customer in parallel with the service provided, as opposed to the competitors of the market.

5.2.3 Cybernetic Controls

According to Malmi and Brown (2008), cybernetic control includes financial and non-financial measurements, hybrids and budgets. Budgeting has a leading position in both case companies. In addition, rolling forecasts are used by both company A and company B to ensure the ability to control, by embodying visibility towards the future.

Company A use a decentralized approach, where the top management receives input from different departments and the final decision made, is based on this. Still, budgets are reviewed on a monthly basis where department directors meet with the CFO to discuss the progress achieved, any deviations noticed and the reasons behind these discrepancies. As Davila (2005) mentions, MCS also structure a constant back-and forth between vision and action through periodic meetings and deadlines review progress. The monthly meetings that take place make sure that there will be sufficient resources until the end of the year. The fundamental cause of this firmness is rooted in the ownership structure of the organization. Because of the market uncertainty and technological complexity, budgets in Company A are quite restricted. To be more specific, company A also has an ownership interest because they enter into Venture Capital at an early stage and usually want an exit-point. Plans and strategies are generated from the owners and communicated through executives. Budgets in company A are used as a control

system by planning accepted behaviors and evaluating performance according to these plans (Malmi & Brown, 2008). A common form of governance is to give employees responsibility for financial results through a set of financial goals, both from and outside the budget system, which can be followed up by the financial measurement system (Malmi & Brown, 2008).

In addition to budgets, company A does not work with other key financial measurements. The non-financial key measurements used are milestones. All the employees therefore contribute with their part and thus become responsible for it. Other non-financial measurements are focusing on safety, individual goals and employee satisfaction. Non-financial measures are important for company A, in order to identify value drivers, but are not used to complement financial measures as Malmi and Brown (2008) suggests.

Distinctive for Company B is that they focusing their cybernetic controls on a four-year rolling budget. The design seem to be traditionally executed, based on historically results combined with judgment about the future gathered in the market and its potential. Budgets serve many purposes and can be used for trend analysis and forecasts (Malmi & Brown, 2008). Since the execution of company B is built upon an aim of judging the market and adjusting the rolling budget, the use seems to be in line with what Malmi and Brown (2008) predicts.

The use of budgeting in company B is related to uncertainty stemming from changes that makes it hard to predict the future in a given area (Merchant & Van der Stede, 2011). Since one of these factors concerns actions of competitors and suppliers, the outcome of the budget can be dependent on these factors, which makes it difficult to rely on and utilize a four-year budget. Uncertainty is higher the further one speculates the future (Merchant & Van der Stede, 2011).

The only financial measurement being applied is cash flow, since the result is totally dependent on the stock. One aspect of using financial control measures is to be able to hold employees accountable for these processes (Malmi & Brown, 2008). However, this is not the case in company B where the employees are not held responsible for either the budget or the cash flow. One of the respondents demands that employees should be accountable for the budgets and purchasing.

Since the customer focus is huge in company B, non-financial measurements consists of reporting reclamations and occupational injuries. The reclamations is utilized by learning from these ones that are repetitive, it is used as a feedback system to be able to improve. This is in line with the study by Malmi and Brown (2008) arguing that non-financial measurements can be used to address shortcomings and identify what affects the performance. This is further enhanced since the employees are responsible for the non-financial measurements in order to capture employees that might not be aware of their performance and behavior.

One of the respondents suggests follow-ups of employee and customer satisfaction. This will facilitate the understanding of when the company needs to develop, and what the customer should change based on this feedback. Stable goals established which people can relate to has been found to enhance creativity (Davila, 2005). This indicates that broader formulated non-financial measures in these areas would possibly improve the performance and motivation of the employees.

5.2.4 Reward and Compensation

The main idea of Malmi and Brown (2008) with the reward system is that employees should be motivated and encouraged to work efficiently with their duties and to pursue goals. Through reward systems, good performances should be rewarded through different types of remuneration. Furthermore, this remuneration is divided into two categories, which are reward systems and bonuses (Malmi & Brown, 2008).

Company A has a bonus system that is the same regardless of levels. The bonus system is set at group premises and is added to the yearly salary based on how many *milestones* are achieved. According to Merchant and Van der Stede (2011), the primary benefit of reward systems in an organization is that they have motivational impact among employees and that management to guide employees in the desired direction can use them. The group performance in company A can also affect the reward since the reward is based on helping each other. There are no "us" against "them" and supporting each other motivates all employees.

Other financial rewards, besides the bonus program, are warrants programs where employees can entitle to subscribe or acquire shares. How many shares you get depends on the position you have. It is based on trying to get the employees to have the same interest as the owners as well as providing them a benefit if the company is profitable. However, the option programs retain the employees since employees that stay longer will be promoted and also receive better shares. The warrant programs are intended to reward employees or motivate for increased loyalty, which also is in line with Ryan and Deci (2000).

Company A also rewards individuals that bring new innovative ideas and getting patents on products. Individual rewards are given to individuals based on what they achieve and the most common individual reward that occurs is wage increase and promotion. This reward make the individuals continue to develop and see the company grow with their help (Davila, 2005).

However, company A does not use any other non-financial rewards to motivate the employees. One explanation to this is that the company recruits high professions and individuals whom are already intrinsic motivated. Thus, the company does not use for instance education as an incentive to motivate employees. The employees are driven by the fact that the work is interesting and that the tasks are rewarding and challenging. This can be linked to the fact that

they are driven by the inner motivation, where one component may be that they enjoy their work (Ryan & Deci, 2000).

The only pronounced reward in Company B is financial and represented by a bonus system where ten percent of the revenue is shared with the employees, weighted to their yearly salaries. According to the accountant, many employees are not aware of the bonus system. This indicates that the reward is not used in the beneficial way that Merchant and Van der Stede (2011) address it to be. Since the employees are unconscious of the reward, this automatically limits the impact of the motivational effects (Ryan & Deci, 2000). The fact that the employees do not know about the bonus is indicating that there is no announcement of this reward existing, which strive against the benefit of recruiting qualified employees claimed by (Merchant and Van der Stede 2011). Furthermore, when the company is expanding, the CFO claims that employees can easily get promoted.

Since non-financial rewards are related to a risk of not making the tax authorities satisfied, by offering hidden income, the CFO do not use these. According to Malmi and Brown (2008) the use of rewards can make employees aware of the important areas within the organization and can be used by management to control its employees in the desired direction. Since the management in company B is accurate to ensure that all employees are striving against the same objective this might be relevant.

5.2.5 Administrative Controls

When it comes to administrative management, it usually divides organizational structure, governance structure, policies and guidelines (Malmi & Brown, 2008). These will be used to control and influence employee behavior in the organization. Administrative management can be linked to action controls, which is explained as a guiding form in which employee actions are governed by introducing workplace permissions (Merchant & Van der Stede, 2011).

The organizational structure is used as a tool for defining how tasks are to be distributed and coordinated among employees at different hierarchical levels (Malmi & Brown, 2008). The organizational structure in company A is hierarchical in many levels since they have grown. However, the company has different departments, which seems to have contributed to the company's decentralization of decision-making. It is natural for the company to let the different departments work independently because they have better knowledge and information about their areas. The current integration can partly be seen as a decline as the departments grow and work more isolated and autonomous. This is something that the company wants to counteract and work actively with. According to Davila (2005), stable goals have been shown to increase the creativity of employees.

As mentioned earlier, the administrative control also contains policies and guidelines. According to Malmi and Brown (2008), these are in order to ensure that actions are conducted in line with the organization's goals and vision. In addition, the regulations will permeate the organization at all hierarchical levels (Malmi & Brown, 2008). The CEO usually makes the decisions in company A. There is an established decision-making process in which the CEO takes responsibility for the business. The technical director is also in favor of making decisions and not excluded. There are rules when it comes to purchasing and other decision. On the contrary, the policies and procedures in company A are used more as general guidelines, since no specific instructions are formulated regarding work processes. Top management is aware that the deliberate strategy will not be implemented and is thereby only defining the guidelines to shape the emergent strategy (Davila, 2005). This is confirmed in the way company A is reasoning.

As mentioned by Malmi and Brown (2008) the organization structure support communication and control through certain channels. Communications of guidelines and targets are spread to different levels of company A through the organization structure as well the governance structure, such as regular meetings. A free flow communication, a decentralized structure and a successful knowledge sharing usually characterize innovation organizations. The case companies promote free flow communication as well as knowledge sharing through the regular meetings held between managers and subordinates on both a formal and informal basis (Davila, 2005).

The organizational structure in company B is characterized as less determined, flat structure without hierarchical levels, which encourage a fast decision-making process for the ones allowed to make these decisions. Organizations may use the organizational structure of specialization and control promotion to reduce differences in behavior and to increase predictability (Malmi & Brown, 2008). If this is the case the organizational structure might need to be improved if the purpose should be fulfilled according to the authors. The plans of growing will require another structure, organizing the business and distribute responsibility, which is something that the CEO is aware of and predicts.

Uncertainty is generally higher the farther one tries to look into the future (Merchant & Van der Stede, 2011). According to Davila (2005), incremental innovations that change the current strategy builds upon already existing competencies or those that are easy to develop. Since company B aim to move within the existing business model it is easier to identify the effects of the changes. It entails fewer organizational and industry changes and is characterized by lower risks (Davila, 2005). The incremental strategy that company B has adopted can thereby decrease the risks related to uncertainty, which stems from changes in both economic climate but also from the actions of suppliers and competitors.

The communication in company B is managed by an internal used application, which confirms that the job task is received and later completed by the appropriate employee. The system can leverage resources since it allows the manager to reduce attention to the executed activities. The

CEO seems to utilize and control this through his use of an internal application. Davila (2005) claims that MCS can be efficient by facilitating delegation. The manager is aware that the MCS will monitor and capture potential deviations from the expectations when he is delegating execution to subordinates through the application. This also contributes to their customer focus by ensuring that the appropriate employees are completing the service provided. The systems can be described as turning strategic plans into operational targets that is followed up and compared to the expected outcome, with an aim of direct deviations (Davila, 2005).

The weekly meetings are representing the management and employees with extended responsibility. MCS encourages a back-and forth between vision and action by periodic meetings and deadlines review progress. This could be found as a trace though the employees are close to decision-making. These meetings are important since individuals from different backgrounds are brought together and give the company an updated look (Davila, 2005). The ideas in the organization are generated from all levels in the organization and all ideas are taken into consideration, which covers the factor creativity, which enhances the motivation according to Ryan and Deci (2000). Since employees who have been part of the organization the longest are the ones most motivated and engaged, this also confirms the second criteria, persistence, to be important.

Even though company B adopted a type of formal control in monitoring their employees and work routines these do not need to be coercive. They may be supporting a learning approach deriving from variation. Enabling control can improve organizational processes and its users by bringing innovation into their learning routines (Davila 2005). This type of system is close to Simon's interactive system. Since this system provides an infrastructure that engage the members of the organization to pay attention to uncertainties (Davila, 2005). This seems to be a relevant management control use since uncertainty is central in two respects as mentioned.

Innovative companies are influenced by uncertainty (Davila, 2005), the management control seem therefore inappropriate from this respect. It can be difficult to determine relevant aspects in situational contexts and their effects on the components of MCS because of two facts; situational factors tends to be related and many of the factors interact with each other to produce MCs-related effects. (Merchant & Van der Stede, 2011)

Davila (2005) claims that the use of induced strategic actions is a way of guiding actions by defining only guidelines to shape the emergent strategy. These actions do still include leadership in the core business of the company (Davila, 2005). This can be a consideration to company B to be aware of, related to the issues regarding uncertainty and growth.

The administrative controls in company B are distinctly predetermined through clearly descriptions of policies and procedures demonstrating the routines, including behavior. The routines seem to be important and formal since everything is printed and distributed to every

employee and followed up by the management. Employees are held responsible for following the routines and potential deviations are taken into account. Since the aim of the administrative control is to make employees responsible for their behavior (Malmi & Brown, 2008) this component used by company B goes in line with what the authors' states this control to be used for.

Table 5. Comparison between cases of corporate use of MCS as a package

Components	Company A	Company B	Similarities	Differences
Culture Controls	Strong	Strong	Multicultural	Dress code Enabling *VS* Coercive
Planning	Very Strong	Strong	Short-term and long-term planning	Radical innovation *VS* Incremental innovation Launch the product *VS* Growth
Cybernetic Controls	Strong	Very Strong	Budgets Rolling forecast	Ownership focus *VS* Customer focus Financial and non-financial measurements
Rewards and Compensation	Very Strong	Exists	Bonus system	Individual and Collective rewards
Administrative Controls	Exists	Very strong	Policies Safety	Ownership focus *VS* Customer focus
Other	Strong	Strong	/	Motivation *VS* Action Control

6. Discussion and Conclusion

This chapter outlines the conclusions we have been able to draw from our analysis, concludes a number of recommendations to the case companies. Finally, there are suggestions for further research that goes beyond the conclusions we can draw based on our study.

6.1 Discussion

The aim of this thesis was to examine how and why the management control system as a package can be designed and used in growing start-ups. In order to fulfill the purpose of the study and answer our problem formulation, six interviews have been conducted with employees in two different startup companies. Startup companies are defined in our study as independent, young, innovative companies with the ambition to grow and a competitive, scalable business model with international growth potential. Regarding to the innovation context, company A has radical innovation and company B is located in the deliberate or emergent strategy based on the typology by Davila (2005).

Our results confirm that when a startup grows, the need to formalize processes and implement various control systems increases. We found that key features for survival in an increasingly complex marketplace are to be innovative and to adapt quickly to changes. The degree of uncertainty is higher when the pace of technology is higher, the business cycle longer and the farther one tries to look into the future (Merchant & Van der Stede, 2011). Growing companies often experience a need for structural changes that imply a more hierarchical organizational structure with longer communication pathways and slower decision-making. It is therefore important according to our results, that the increasing mechanistic structure does not have a major impact on and alter the innovative culture. We found that companies must actively work to enable an increasingly efficient organizational structure, in line wit what Freeman & Engel (2007) claims. This is to emerge alongside an entrepreneurial culture that is characterized by creativity, innovation, performance and cohesion (Freeman & Engel, 2007).

Our findings show that when both case companies are going into new markets, they have incomplete structures and preconceived perceptions about how circumstances should work. In accordance to our perception, start-up companies need to focus on forming their rules based on prevailing conditions. The start-ups should tentatively have a complementing team in both personality and knowledge, as well as a straightforward and open communication. (Merchant & Van der Stede, 2011)

Culture Controls

The result of the study shows that the management in our case companies has a strong culture control. A strong culture favors the organization by creating a stronger link between the individual and the organization that can lead to a higher degree of goal achievement (Malmi & Brown, 2008). This is confirmed in both companies because it encourages sharing common values and employees to explore. The culture of innovation, cooperation and equality establish a framework for the behavior of the employees and demonstrate the direction of our case companies. Our findings show that common traces in both case companies are their multicultural and safety focus. There is evidence, based on the interviews made, that culture has contributed to increase the congruence between individual and organization, which is one of the purposes in management control (Malmi & Brown, 2008).

Planning

The management in both companies uses clear control in form of well-prepared budgets. Even though the management decides what areas to focus attention on and set up targets to achieve, the different departments and their staff are allowed to work out how to achieve those targets in the action plans. Planning control can be found in both companies, although different in each of them. Our results show that company A has a radical innovation compared to company B, that has a incremental innovation. Despite its different uses, it seems vital for both organizations to have a forward-looking attitude and guide employee behavior against the desired results in order to be profitable in the fast-paced innovation context.

The planning control in both case companies are characterized by short-term planning and flexibility weighs heavier than long-term planning in order to quickly adapt the organization to changing needs. Thus, the planning processes in both case companies include the employees in the action planning process. According to us, this creates more commitment to the plans and targets, which motivates the employees and influences their behavior in a positive way. Moreover, the employees at low levels have a good knowledge to improve working processes in their own working environment. This is because they are experienced working in that environment on a daily basis. From that perspective, both companies benefit using ideas and knowledge generated from employees. In line with Merchant and Van der Stede (2011), it is important for budgets to stay flexible due to the high uncertainty. The meetings held between the management and subordinates to stimulate discussion around observed deviations and to serve a knowledge sharing purpose ensure this.

One difference in planning between the case companies is that the focus of company A is to launch the product and company B is focusing on growth. Based on this aspect, long-term planning is more relevant for company B since they are aiming to establish in more cities and countries.

Cybernetic Controls

Our findings show that there are differences in the use of financial and non-financial measurements. Company A does not use any financial measurements compared to company B that use financial measurement linked to cash flow. Cash flow in company B is mainly used to keep track of inventories and as a basis for the budget. This is to ensure the customer service to be inline with the customer focus that company B has. Similarly, it is important for company A to focus on their stakeholders, which are their owners. By using restricted budgets approved by the owners, company A can ensure to satisfy the owner.

Furthermore, our study confirms that there are differences in use of non-financial measures, both for management and for follow-up. Company A has a strong focus on milestones and company B measures primarily reclamations and safety. Common for the non-financial measures used in both companies is the focus on improving safety. Finally, the management and employees in both case companies have continuous communication. The results confirm that company A use an enabling governance in which the individual has great freedom to influence the work situation, in comparison to company B, which use a more coercive control.

Reward and Compensation

The findings show that both companies use financial rewards. In company A, three types of reward and compensation systems are referred to. There is a bonus system for all employees in the company and a warrant program designed for employees who have been longer in the company. The warrant system in company A is a control used to retain employees in the company. There is also an individual reward system based on how innovative employees are. The difference in the reward system in company B is that company B has a weighted reward system for a profit sharing purpose. The reason that company B use a bonus system is to improve their customer service compared to company A where the aim is to encourage the employees to explore. Common for both case companies is that no other financial rewards are implemented.

Administrative Controls

The use of administrative controls differs between the case companies. In company A, freethinking is an important condition for the company's growth. This is confirmed by using only policies and not routines, which is the case in company B. Company A aims to succeed and innovate, and thus foster a can-do attitude, and is thereby using an enabling control. In comparison, company B uses more of a coercive control because the employees receive instructions according to their tasks. The reason of using different types of administrative controls depends on company A having a radical innovation and company B has an incremental innovation type. Thus, the aim of company A is to satisfy the owners and company B is focusing on their customers.

Conclusion

Our results support that in the same way, as current established companies need to relate to startups, start-ups needs to relate their business to the market they are interested in, and its needs. Our findings can also confirm that if companies utilize their wit they can push away already existing actors on the market by finding the right loopholes. The strength of a start-up company can also be their weakness. Start-ups are also expected to act curious but also realize that they are in a developing phase and simultaneously be patient. At this stage, the business concept becomes relevant. The idea cannot be realized until there is evidence on an existing demand of the product and that the product is salable. Until then, everything is based on estimations that need to be evaluated. (Expertvalet, 2017)

Furthermore, even if the employees know how to generate results it will not be optimal if the performance targets set are not properly challenging. In a situation where uncertainty is presented it is difficult to calculate the optimal targets.

Finally, our results provide an insight that innovative startup companies have different internal management control systems. This differ from our perceptions where we initially assumed that innovative companies are more decentralized with limited use of administrative control. We also assumed that the use of budgets were less important. However, our findings proved that this is not the case in any of the two companies. As shown above, there are both similarities and differences in our case companies, even if they are innovative and startup-companies. The companies different focus such as customer and ownership infers that the related uncertainty also differ in order to grow and to be innovative.

6.2 Recommendations

This report concludes with a number of recommendations to the case companies. Unlike the analysis the recommendations are based on our interpretation of our empirical data and the theoretical framework. The recommendations could to some degree be interpreted as contradictory, since a start-up company and its management control system is complex (Davila 2005). This is addressed in the section below:

- **Participation**
- **Non-financial Rewards and Motivation**

Participation

Innovation is strongly related to an uncertain environment, which makes it important to frequently update and refine the strategy to be in line with prevailing conditions. To ensure that the organization moves and operates towards the same conditions and goals, it is of great important to continually involve the employees by participation. The participation of employees

can contribute to better communication and closer contact with the managers. Thus, the cooperation, coordination and participation provide more control and better relationship between the employees in the organization. This in turn affects the performance and facilitates the employees to adapt to changes. In company A, managers and employees are involved in the planning process and thus create a better communication, share knowledge and generate trust.

The future in company A is uncertain due to the actions of their stakeholders but also because of the pace of technology. Thus it is vital that the company continually investigate the market. The communication and cooperation between departments in company A must be improved in order to identify potential uncertainties, which can affect their development of their future product.

Employees in company B are not engaged as much as in company A. Our recommendation for company B is to engage the employees and managers through action controls. Action controls are controllable only in two prevailing permissions of uncertainty; if there is knowledge about which actions that is desirable and if these actions continue being desirable. This requires the managers in company B to develop knowledge about the desired actions and to personally involve themselves in activities that should be controlled. It also infers the managers to more frequently adopt the pre action reviews, involve themselves into face-to-face meetings and use direct observations (Merchant and Van der Stede, 2011). This is also confirmed by Simons (1994) interactive system.

When action controls are inappropriate, managers tend to rely on result controls instead. The CFO in company B is relying the future growth of the company in the success of the IT-system and increased earnings as a result of this system. However, result controls can be difficult to use under high uncertainty as well. If the employees are not engaged in the knowledge of how to generate the desired results, the controls are not effective. Uncertainty tends to destroy the employee's ability to understand how to generate the results. Furthermore, uncertainty tends to affect the organizational structure and the decision-making. This fact increases the complexity in the tasks of the management.

Non-financial Rewards and Motivation
Most individuals are more motivated by the task the have and the environment in which they work, than by the money they earn. Therefore, the reward and compensation system offered to employees should include both financial and non-financial incentives. Performance linked to monetary rewards may have negative impact on motivation. This can lead to an ambiguous purpose of motivation for the employees. In order to retain intrinsically motivated employees, other techniques are needed. Employees in company A are exclusively dominated by innovative scientists and professions, thus it is important to maintain their intrinsic motivation. For instance, when company A reaches an important milestone, they should bring everyone together to celebrate. When individuals or teams perform well or reach milestones, it is important to

acknowledge their results as well as make the employees feel part of the success. Company A should also invest in their employees by showing appreciation in creative ways in order to retain talented employees and create a sustainable culture of success.

As for company B, they must develop techniques that include training employees on new job functions, increase their responsibility, and related tools that are satisfying to their intrinsic motivation factors. Our recommendation for company B is to train the employees in the new system. It is important to make the employees participating in the launch of the system and to use evaluations to frequently capture the perception of the new system and the use of it. Participation from the employees will not only ensure this system to be effective, it will also motivate the employees. Furthermore, company B should increase responsibilities, allow the employees more freedom to make decisions, and give them larger part of the budget to control.

The use of manuals and working routines in company B is to minimize deviations from pre-established objectives. This is limiting the use of MCS to be mechanistic, by standardized routines and repeatedly changes. Thus, the difficulty for company B is to formulate and implement new strategies, which is part of their vision. This way of control encourages extrinsic motivation and commanding rather than finding improvements to flexibility, uncertainty and intrinsic motivation (Davila, 2005). The MCS in company B should be supporting their long-term objective of expand into new locations. This could be supported by using more enabling controls and allow employees to influence the routines. In order to motivate the employees, the management should also ensure the employees to receive information about the bonus. If the employees understand that the bonus is related to the earnings of the company, it will automatically encourage the employees to find new ways to increase their performance of the tasks.

Both case companies can turn external goals into internal goals through belief systems (Simons, 1994) by empowering and motivating employees to explore. The growth, market uncertainty and the technological shift shape the environment and make it difficult for employees to perceive the purpose and the directions of their organization. Thus, it is the management's responsibility to make sure that employees perceive the values. In company A, the role of MCS is to support radical innovation and thus, both interactive and belief systems by Simons (1994) become important (Davila, 2005).

Summary
We have found that motivation is a vital underpinning variable that permeate several of the controls suggested by Malmi and Brown (2008). The motivation seems to improve and increase the understanding and performance of the employees directly and indirectly in almost all components. According to us, important factors related to the chosen theoretical framework and the conducted interviews is to extend the use of rewards, especially non-financial rewards and to

use an extended enabling control. Even though we have examined the use of management control systems in companies in two different industries with totally different concept this seem to be of great importance in both of the companies.

As mentioned above, uncertainty is a prevailing permission in growing start-up companies in two levels, both within the organization and in their environment context. The study by Merchant and Van der Stede (2011) facilitates the investigation of potential risks within our chosen start-up companies. By making some refinements in the management control systems, the related uncertainty in our case companies can decrease. Moreover, Davila (2005) examines potential actions and strategies to manage uncertainty, strongly related to the claims within the study by Merchant and Van der Stede (2011).

The recommendation are based on innovation, growth, and uncertainty and influenced by the management control package. Furthermore, these have influenced the recommended use of the framework and are the underlying basic factors that give rise to the deviations between the following figures. The recommendation has also been influenced by the identified gaps in the management control systems as well as the theoretical examining regarding this system.

6.3 Contribution

The thesis contributes to the knowledge about how and why can the management control system package be designed and used in growing start-ups. Moreover, it investigates if there are patterns to be seen between the case companies. The contribution of our study is also to reflect upon the controls that seem to be vital for growing startup-companies and provides a deeper understanding of several control systems being used.

Our study highlights the complexity of imitating innovative start-up companies, since these are unique and adopt an individual concept. It is therefore vital to identify the proven success factors but then adapt these in accordance with the objectives and the current culture. In this study, we used several theories (Ahrens & Chapman, 2000; Ryan & Deci 2004) emphasizing motivation and enabling control, to capture the effects of empowerment and an enabling mentality in start-ups growth. The study also contributes with the knowledge to growing start-up companies that need to adopt an extended use of management control systems when reaching a certain level of employees. There is a need for a clear determined organizational structure meeting the demands of the growing number of employees. Lastly, the study can contribute with preventing common mistakes while controlling organizations in uncertain situations. The study provides an alternative specialized package generated to facilitate the management control systems in growing start-up companies.

Although our empirical evidence is too limited for us to generalize or draw firm conclusions, the empirical findings of this thesis can possibly serve as an indicator and roadmap for future research on the role of MCS in growing startup companies.

6.4 Suggestions for Further Studies

During the work process, additional questions have been raised by the authors, which do not fall within the scope of the study's problem formulation. Therefore, proposals for further studies in the area are presented below:

- How the various controls interact and relate to each other
- Whether there are external drivers behind the development of management control
- The principal and agent perspective in a fast growing start-up company

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Appendix 1 - Questionnaire

Note: The interview questions are in Swedish

Bakgrund
1. Berätta om företaget, företagets historia samt er produkt/produkter?
2. Vilka förändringar har det funnits inom företaget från start tills nu?
3. Vad har varit den största utmaningen hittills?
4. Vad är nästa stora utmaning?
5. Vilka är de viktigaste faktorerna som anses vara centrala för organisationens övergripande framtida framgång och hur de uppmärksammas av chefer och medarbetare?

Företagskultur

Värden, klaner, symboler

1. Hur skulle du beskriva er företagskultur?
   a. Hur skolas nyanställda in i er företagskultur?
   b. Existerar det gemensamma värden?
   c. Är du stolt över att arbeta på ditt företag?
      - Vad är du mest stolt över?
   d. Hur är företagskulturen relaterad till måluppfyllelsen av företagens mål?

Planering

2. Hur ser planeringsprocessen ut?
   a. Vilka är era långsiktiga och kortsiktiga mål i organisationen?
   b. Vem bestämmer målen?
   c. Hur uppmärksammas detta av chefer och medarbetare?
   d. Vilka mekanismer, processer och nätverk används för att förmedla organisationens övergripande syften och mål till medarbetarna?
   e. Vilka strategier och planer har organisationen antagit och vilka är de processer och aktiviteter som har beslutat kommer att krävas för att garantera dess framgång?
   f. Hur anpassas, genereras och kommuniceras strategier och planer till chefer och medarbetare?

Cybernetiska instrument

3. Vilken typ av finansiell eller ekonomisk planning använder ni? T.ex. budgets, finansiella eller icke-finansiella nyckeltal, balanserat styrkort.

Budget

4. Använder ni er av budgets, om ja;
   a. Hur ser budgetprocessen ut?

b. Vem har utformat budgeten?

c. Hur följs budgeten upp?

d. Hur är budgeten analyserad?

e. Är de anställda ansvariga för budgetmålen? Om ja;
    - Vilka anställda handlar det om?
    - Vilka olika delar av budgeteringen är de ansvariga för?

Finansiella nyckeltal

5. Använder ni er av finansiella nyckeltal?

a. Vilka finansiella indikatorer använder ni? Är de olika beroende på de olika nivåerna och funktionerna i företaget?

b. Hur sätts de finansiella nyckeltalen upp?

c. Hur analyseras de finansiella nyckeltalen?

d. Är de anställda ansvariga för de finansiella nyckeltalen? Om ja;
    - Vilka anställda har detta ansvar?
    - Vilka olika finansiella nyckeltal är de ansvariga för?

Icke finansiella nyckeltal

6. Använder ni er av icke-finansiella nyckeltal?

a. Vilka icke-finansiella nyckeltal använder ni er av

b. Hur är icke-finansiella nyckeltal analyserade?

c. Är de anställda ansvariga för de icke-finansiella nyckeltalen? Om ja;
    - Vilka anställda har detta ansvar?
    - Vilka är de olika icke-finansiella nyckeltalen som de är ansvariga för?

Hybridsystem

7. Använder ni er av hybridsystem?

a. Vilka nyckeltal använder ni i hybridsystemet?

b. Varför har ni just dessa nyckeltal?

c. Hur följer ni upp och analyserar nyckeltalen?

d. Är de anställda ansvariga för nyckeltalen i hybridsystemet?
    - Vilka är de ansvariga?
    - Vilka nyckeltal är de ansvariga för?

Belöning och kompensation

8. Hur ser belöningssystemet ut på ert företag?

a. Vilka belöningar - finansiella eller icke-finansiella används?

b. Finns det olika belöningar på olika nivåer i företaget?

c. Hur påverkar belöningen dig?

d. Hur påverkar belöningssystemet företaget?

Administrativa kontroller

9. Vad har ni för dokumenterade riktlinjer och rutiner i organisationen?

10. Hur ser organisationsstrukturen ut och hur påverkas den strategiska verksamhetsprocessen av strukturen?

    a) Vilka specifika informationsflöden och återkopplingssystem använder sig företaget av för att främja ekonomi- och verksamhetsstyrningen?

    b) Hur används information och kontroller som är fastställda i styrningen och hur skiljer sig kontrollerna åt på olika hierarkiska nivåer i organisationen?

11. Finns det regler för vem som tar olika beslut?

    a) Finns det en fastställd beslutstagandeprocess?

    b) Finns det förbestämda procedurer och processer?

    c) Hur är det med över- och underskott av personal och andra resurser?