"What happened ten years ago is history, what happened last year is history, in this industry it all changes so quickly"

Management Control Systems as a Package in the Context of Innovation

by

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Abstract

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Keywords: Management control, Innovation, MCS as a package, Target Costing, Sports retail industry

Purpose: The purpose of this study is to contribute to the context of MCSs supporting innovation. Further, the aim is to investigate how the MCS as a package can be modified to fit in the context of innovation.

Methodology: A qualitative research approach was used, containing a literature review, an explanatory single-case study and limitations.

Theoretical framework: The theoretical framework is based on theories regarding the field of management control, innovation and target costing

Empirical foundation: The empirical data consists of research conducted through a semi-structured interview with one case company in the sports retail industry. The empirical data also consists of previous research within the research area.

Conclusions: This study finds that innovation of both incremental and radical character is present in the case of Stadium. Nevertheless, the radical innovation is dominant, with a locus of innovation from the day-to-day actions. The type of strategy and locus of innovation is supported by different MCSs. It is evident the MCS work as a package, where cultural controls and cybernetic controls are the major drivers in supporting innovation.

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1.Introduction

1.2 Background

Globalization and fast-paced technological developments have had an extensive impact on various industries, leading to an increased competitive environment for the vast majority of companies (Wiersema & Bowen, 2008). The retail industry is one among many industries that is subject to the forces of globalization (Reinartz et al. 2011), and have been largely affected by rapid technology changes (Shankar & Yadav, 2011). The constant growth of the internet is a part of the technological changes, and has powered a major shift in the retail landscape (Sorescu et al. 2011). As of today, growth in the retail business is no longer solely dependent on past success, the loyalty of the customers, or the quality of the products. In an environment that is characterized with fears competition, the retailers who manage to anticipate changing consumer demands, and are willing to adapt quickly, can be seen as successful. Their recklessness towards the attempt to differentiate the business model, instead of relying on a legacy ways of operating has been crucial to survive and thrive (PWC, 2016).

One industry that has been largely affected by the forces of globalization and technological change in recent years is the Swedish sports retail industry (Handelns Utredningsinstitut, 2016). The industry is characterized by a rather small number of actors with fragmented market shares of relatively similar size. The retailers differ substantially in their customer offer, business models, and number of years they have been active in the industry. Nevertheless, in the last years various competitors have tried to enter the market with mixed success. Unlike these entrants, incumbent retailers face difficulties due to inflexible cost bases and incorporated legacies, hence incremental improvements will most likely not be enough to suddenly become competitive (PWC, 2016).

Based on cumulative statistics from the month of December, the Swedish sports retail industry has been decreasing in sales during three out of the last four years, making it close to a zero-sum game (Willners, 2018). This means that the market is barely growing as a whole, and success is rather being redistributed to the ones embracing the concept of innovation. The current market is being disrupted by the revolution of e-commerce, price-conscious consumers, an abundance of the "brick-and-mortar" legacy, as well as competition from innovative startups. In order to stay competitive and not fall behind, these companies need to

strive to incorporate a certain degree of innovativeness in the company (PWC, 2016). According to Shanker and Yadav (2011) "Innovation is the lifeblood of organisations in many industries" (p.1), and according to Reinartz et al. (2011), the retail market is no exception, as innovation is imperative to compete successfully. The ones that want to benefit from a market like this need to emphasize flexibility to detect trends and create niches that can change the demands for goods and services. Instead of only working with incremental changes, these companies need to consider their value propositions to differ from the competitors (PWC, 2016).

Bisbe and Otley (2004) conclude that previous research in the area of innovation has pointed out that "for an innovation process to be successful and transformed into enhanced performance, there must be a supportive context and a supportive internal environment" (p. 714) . For this reason it can be seen as important to find a suitable way to manage the innovation activities within an organisation. In the past, Management Control Systems (MCS) have been used to align the behavior of the employees with the strategy and objectives of an organisation, using tools such as the BSC (Kaplan & Norton, 1996) and the MCS as a package (Malmi & Brown, 2008). The original idea with the use of MCS was to increase standardization and focus on efficiency. For this reason these controls became synonyms with mechanistic controls that constrained the creativity and autonomy of the employees, hence were considered inhibiting innovativeness (Pfister, 2014; Ahrens & Chapman, 2004). However, in recent times, research has put more focus towards how organisations can respond to uncertainty. This has created a need for flexibility to the already existing goal of efficiency (Jørgensen & Messner, 2009).

Pfister (2014) further studied the relationship between MCS and innovation, and came to the conclusion that "It is the managerial influence on the natural flow of actions in order to align them towards the purposeful goals of the organisation. As such, control does not mean to be coercively constraining, rather it can be directing, guiding, enabling, supportive and as such leaves much room for creativity and innovation" (p. 145). Thus, it is evident that the earlier idea of MSC deteriorating innovation is shifting to an era where MCS can be used to manage innovation.

1.3 Problematization

Our problematization takes ground in the relationship between MCS and innovation. The use and design of MCS to support innovation has been investigated beforehand, whereas research suggests that MCS can be both constraining and valuable in terms of managing innovation. However, in more recent research, there is much consensus on the fact that MCS is beneficial in managing innovation (Bisbe & Otley, 2004; Pfister, 2014; Chenhall & Moers, 2015). Chenhall and Moers (2015) recent paper aims to show that MCS has developed over time in response to the challenges organisations face operating in uncertain environments. They come to the conclusion that innovation is key in organisational adaptation, thus leading to continued attention from MCS researchers. The idea of MCS as a package has been subject to research for the past decades (Otley, 1980). Malmi and Brown (2008) studied MCS as a package, based on the idea that MCSs do not operate in isolation (Chenhall, 2003). Furthermore, Moll (2015) conducted a review concerning multiple case studies on MCS as a package, compared to solely focusing on single elements of controls, and recommended further research on MCS as a package regarding innovation. According to Pfister (2014), managing innovation is challenging and synonymous with uncertainty, therefore, the use and design of MCSs to support innovation can be further subject to research to fill a potential research gap.

Further research is necessary, particularly in term of various contextual factors, hence this study considers the words of Pfister (2014), "What are possible MCS solutions to enhance creative and innovative performance in specific contexts?" (p.146). An example of such context is the Swedish sports retail industry, which is governed by globalization and rapid changes in technology. For this reason innovation has been considered key to stay competitive. Therefore, further research on the use and design of MCS to support innovation in the Swedish sports retail industry is required.

1.4 Research Question

Göran Carstedt, a former chairman of the board at the Swedish sports retail company Stadium, was interviewed by Sussi Calås-Jonsson (2013) regarding the success story of Stadium. Carstedt composed the following rhetorical question, *"Development and change is created by those who early anticipate what others eventually will come to understand. How does it come that some manage to become innovative?"* (Calås-Jonsson, 2013 p. 8). Inspired

by these words, and on the basis of the aforementioned problematization, the research question for this study is designed as follows:

- How is the MCS package used to support innovation in the Swedish sports retail industry?

1.5 Purpose

Based on the previous research in the area of MCS, and by taking the research question into consideration, the purpose of this study is contribute to the context of MCSs supporting innovation. Further, the aim is to investigate how the MCS as a package can be modified to fit in the context of innovation.

1.6 Outline of The Report

This study is divided into five principal sections. First, the methodology of the study will be presented and discussed. This is then followed by a section where relevant theories and a theoretical framework will be presented, covering the concepts of MCS and innovation. Next section presents and analyzes the empirical findings from the case study, which is then subject to a discussion in regards to the theories and previous research. Lastly, a conclusion including our main findings is presented, followed by contributions, limitations and further research.

2.Methodology

2.1 Research Approach and Design

The purpose of this study emphasizes the importance of obtaining an understanding of the context as well as a detailed, but nuanced, view of the context's challenges. For this reason, a qualitative approach has been seen as the most suitable approach for this study. This approach will enable an understanding of underlying opinions, motivations and reasons. Further it aims at providing insights into the problematization and support the development of ideas for a potential quantitative research.

Compared to a quantitative approach, which tends to have a clearer set of linear steps, a qualitative approach is associated with more flexibility. The focus is on understanding the context rather than making a generalizing of the findings, something that is desirable based on the purpose. A quantitative approach is advocated due to the aim of investigating the use of MCSs in practice, both in terms of what MCSs are used, but also how they are perceived by individuals in the organisations. The qualitative approach is also argued to enhance more rich and deep data, providing a better contextual understanding of attitudes, beliefs and behaviors (Bryman & Bell, 2015; Barnhamn, 2015). Qualitative research is a knowledge-based theory, which is usually interpretative, meaning that the weight (unlike the scientific model applied in quantitative research) is based on an understanding of social reality. This is something that is further based on how the participants in a particular environment interpret the situation (Bryman & Bell, 2015). With a qualitative approach like this, this study intend to see the actual context through the eyes of the participants, hence their view has a central role in this research (Bryman & Bell, 2015).

Looking at reasoning methods, Trochim (2007) classifies the deductive and the inductive approaches as the two main and most commonly used methods. Deductive theory represents the most common perception of the relationship between theory and practice in social sciences (Bryman & Bell, 2015). With a deductive approach the theory emerges from the hypotheses and drives the gathering of the empirical data. In other words, the method has a general starting point that moves towards a more specific utilization of the theories. On the contrary, Bryman & Bell (2015) briefly explain the inductive approach as a reverse deduction, where observations can be used to formulate or revise the theory. This means that the reasoning rather moves from a specific data or observation towards a general theory. Bryman & Bell (2015) further explain that with an inductive approach the theory is the result and the contribution to the research. Even if the methods can be seen as opposites to each other, they are rarely used in isolation in the case of academic research (Bryman & Bell, 2015). Conclusively, this has also been the case in this study. A deductive approach has initially been used as a starting point to review previous literature and establish a theoretical framework within the area of MCS and innovation. This type of reasoning was partly used on the basis that the intention was to gain broad insights in the area of interest, and partly because it enabled to ask relevant and deep questions, with the possibility to ask follow-up questions to the respondents. The theoretical framework was based on the empirical data gathering from the interviews. This meant that the theories were revised based on the findings in terms of

patterns and themes, and can therefore be seen as an inductive approach, however within an deductive reasoning (Bryman & Bell, 2015).

According to Bryman and Bell (2015), it is evident that the process of data collection can change and affect the relevance of the selected theory. The authors have been open and aware of this approach when collecting secondary data, which has allowed them to make adjustments in the initial literature review. Decisively, the technique of moving back and forth between theory and data adds to the mixed approach, where deductive and inductive features have been combined. Within the topic of a qualitative approach there are certain designs that can be more or less applicable depending on the context of the study (Bryman & Bell, 2015).

2.2 Single-Case Study

In order to answer the research question, and fulfill the purpose of this study, the choice of an appropriate research method was needed. According to Yin (2014), there are three conditions to consider when choosing the type of research method. The first (1) is the type of research question asked, (2) to what extent the researchers have control over the behavioral events, and lastly, (3) how much focus is on contemporary, as opposed to historical events. Regarding question one, the focus of this study is on the "how" and "why" research questions, which are seen as explanatory, and often lead to the choice of using a case-study. Further, as the study investigates the present situation, contemporary events became a natural choice. Additionally, the authors had little control over the behavioral events. The answers to these three questions above correspond with the conditions suggesting a case-study as the appropriate research method (Yin, 2014).

In more detail, a single-case study has been chosen to answer the purpose of this study. It is beneficial due to the fact that a large amount of resources will be put towards just one single case, thus creating a more in-depth analysis, this in comparison to a multiple-case study. However, a single case-study has been criticized for only reflecting the situation of the specified organisation of choice. It is also said to lack generalizability, which is more present in a multiple-case study. This creates a problem of the generalization of the study's result. However, the intention is not to create a statistical generalization, rather a analytic. (Yin, 2014)

2.3 Literature Review

The theories in this study have been carefully selected in regards to the problematization and purpose, all closely related to the topic of MCS and innovation. In order to develop a theoretical framework, the starting point was to conduct research on previous literature. This enabled a wide knowledge base within the specific context that the study sought to investigate (Bryman & Bell, 2015). The literature on MCS and innovation has, to a large extent, been based on academic journals (peer-reviewed) via LUBsearch and Google Scholar. Academic books have been used as well and these have been found through the library database, Lovisa. In the early stages of the process, key words such as *innovation*, *management control, MCS package* and *retail industr*y was used. Furthermore, specified search keywords such as *innovation and management control*, and *innovation in the retail industry* was used in order to get more in depth content. The snowball principle has also been adopted, this because it is considered a widely used tool in a qualitative research. The principle was set in motion when interesting references from one article, lead to another (Noy, 2008).

In the beginning of the study a wide arsenal of theories on the topic of management control and innovation was included, but as the work progressed, a couple of theories fell short. All theories were in one way or another relevant for this research, therefore it became a matter of choosing the theories that were most appropriate and contributional for the research. Moreover, the included theories in this study were chosen in respect to the purpose and problematization, including theoretical information in regards to the study's empirics. Further, the theories are presented in a comprehensible manner, with the aim to give the reader an overall idea, whilst enabling a development of a advisable MCS package.

Davila's (2005) concept on innovation has been chosen in order to analyze the case company in the context of innovation. It investigates the strategy and locus of innovation. The concept makes it possible to draw upon the relationship between MCS role and strategies in the context of innovation. The theory of target costing (Copper & Slagmulder, 1999; Copper & Chew, 1996), and the MCS as a package (Malmi & Brown, 2008) are two additional theories deemed in regards to the purpose.

2.4 Data Collection

The Swedish sports retail company Stadium was chosen as the case company for the empirical data gathering. The company operates in the type of industry that this study sought to investigate, and is, as of today, one of the largest actors in the Swedish sports retail industry (Stadium, 2018). The sports retail industry was deemed appropriate due to the fact that innovation is more or less compulsory to stay competitive (Shanker and Yadav, 2011). It is an industry affected by the forces of globalization (Reinartz et al. 2011), and have been largely affected by the rapid technology changes (Shankar & Yadav, 2011).

For the empirical gathering, interviews were used as the primary source of data, which is significant in a case study (Yin, 2014). *Varje dag är en ny match*, a biography written by Sussi Calås-Jonsson (2013) about the story of Stadium and its founders, was also used in the process of empirical data gathering. Calås-Jonsson (2013) has many years of experience as a copywriter and public relations officer. Between the years of 1998-2010 she was head of public relations at Stadium, and her findings presented in the bibliography have been valuable for this study. The interviews were conducted with five different employees at Stadium, with various hierarchical positions, ranging from top to bottom level. The interviewees were chosen based on their anticipated knowledge in the fields of innovation and management control. More precisely, one of the interviewees was Bo Eklöf, who is the co-founder of Stadium. His insight, story and knowledge of the organisation was highly valuable for this study, arguably no one knows the true values and culture of Stadium better than him. Sara Hermansson, our other interviewee, operates as a Business Developer at Stadium. In her role she works closely with the concept of innovation, hence her contributions were highly beneficial. Further, as Head of Research and Development, Dennis Backteman gave us valuable insights regarding new product development at Stadium. Furthermore, all five interviewees were chosen in high regards to the purpose of the study. The objectives with the interviews were to create a comprehensive picture of Stadium, whilst having the purpose in mind.

The interviews were conducted in a semi-structured way, with questions developed based on the theories presented. The questions asked were to cover three main topics, (1) the general idea and structure of the company, (2) the importance and process of innovation and (3) the

use of management control systems. Beforehand, the questions were subject to a discussion between the authors and the supervisor. The importance of asking the questions in an open and unbiased matter was stressed and this was achieved by asking "how" and not "why" (Yin, 2014).

The interview questions were not necessarily asked in the predetermined order, which is characterized by a semi-structured interview (Bryman & Bell, 2015). This is why a semi-structured interview is useful in this type of situation, since it calls for flexibility when dealing with open and complex questions (Saunders et al. 2009). According to Yin (2014), this type of interview form is used to guide the conversation, rather than follow a structured query, hence it allows for continues altercation in the interview process. Throughout the interviews the questions were adjusted on the premises that some topics required more elaborated and detailed questions. All interviews were conducted at Stadiums headquarter in Norrköping, Sweden. Face-to-face interviews are commonly used in a qualitative research, in comparison to a telephone interview. The face-to-face interview is favorable since it enables the presence of body language, where the interviewees might express puzzlement or confusion (Bryman & Bell, 2015). Before conducting the interviews, all interviewees were briefly informed via email about the topic and purpose of our study. Further, in order to clarify certain passages and avoid uncertainties all interviews were recorded. Moreover, notes were continuously taken as a complement to the recording. In addition to the interviews, annual reports, articles and literature about Stadium has been used.

Table 1, Overview of the interviews conducted.

Interviewee	Position	Form	Date	Duration
Victor Fridholm	Senior Purchaser	Semi-structure at Stadium HQ	04/02/2018 23/04/2018	2x 40 min
Johan Eklöf	Salesman Stadium Store Norrköping	Semi-structure at Stadium HQ	23/04/2018	40 min
Sara Hermansson	Business Developer	Semi-structure at Stadium HQ	23/04/2018	60 min
Dennis Backteman	Head of Research and Development	Semi-structure at Stadium HQ	23/04/2018	90 min
Bo Eklöf	Co-founder and Senior Advisor	Semi-structure at Stadium HQ	23/04/2018	60 min

Additionally, one of the authors of this study is a close family friend of Bo Eklöf, and acquainted with Bo's brother, Ulf Eklöf, as well as the CEO, Karl Eklöf. This has in turn influenced the study to some extent, arguably increasing the subjectivity. This subjectivity is embraced since a qualitative research is in fact based on the subjectivity, and looks at the human realities, in comparison to concrete realities (Erlingsson, 2012). According to Erlingsson (2012), the qualitative researcher is part of the study, enabling further empirical insights.

Parts of the empirical data has been based on the relationship between one of the authors and Bo, where the author have much previous experience of Stadium, and with the Eklöf brothers. Additionally, this close bond has enabled a continuous contact with Stadium during the study, and further enabled meetings of informal character. Furthermore, during the visit to Stadium's headquarters, the authors gained access to the canteen, which made it possible to chat with various employees. The chats were of brief character, but of high value, adding to the picture of Stadium and its employees.

2.5 Data Analysis Techniques

In order to minimize the risk of errors and biases, a couple of actions have been taken. After all the empirical data was gathered, each recording and coherent field notes were individually analyzed. This was done to avoid any uncertainties of missing any important and useful information, but also to compare concluding interpretations. This was done to increase the reliability of the study (Yin, 2014).

2.6 Judging Limitations and The Quality of Research

Much point to the fact that the chosen research design is appropriate in regards to the study's purpose, however it implies a number of concerns. Firstly, Yin (2014) says that a qualitative research design rely heavily on the researches previous knowledge and the interpretation of the collected data. In turn, this leads to subjectivity, hence the difficulty to replicate the same study. Secondly, a single case-study is said to restrict to the specific context, thus hindering the generalization of the result (Yin, 2014). Regarding the use of a semi-structured approach to the interviews, the authors are aware of the fact that the interviewees are going to interpret the questions differently. In addition, the interviewees were given the opportunity to elaborate

and accentuate information of their choice. Furthermore, the analysis and conclusion of this study is arguably biased, due to the interpretation of the collected data.

According to Yin (2014) there are four tests which are commonly used to establish the quality of any empirical study; construct validity, internal validity, external validity and reliability. These tests are common in all social science methods (Kidder & Judd, 1986). According to Bryman and Bell (2015), the tests are normally used in terms of quantitative studies, but can be used for qualitative as well. Furthermore, these tests will be used to judge the overall quality of this study.

Actions have been taken to increase the construct viability. The first is the use of multiple sources of evidence (Yin, 2014), which was done by interviewing five different employees holding five different hierarchical positions, and with various backgrounds. The interviews were also complemented with data from documents, literature, annual reports and their website. This also created an opportunity to verify the information from the interviews. The second action is the establishment of a chain of events, which enables the reader of the study to follow the derivation of evidence drawn from the questions all the way to the conclusion (Yin, 2014). Further, to increase the construct validity there has been no restriction regarding the use of one single search engine, hence multiple have been used. Also, data has been collected from several different sources, such as academic journals, case studies and books.

In order to increase the internal validity, hence the credibility of the research (Yin, 2014), different data analysis techniques proposed by Yin (2014) have been used, which is presented in the section above (Data analysis techniques). However, it is notable that the insights of the interviewees differ, whereas Dennis is working mainly with product innovation, whilst Victor is a Senior Purchaser. Furthermore, the co-founder Bo is highly concerned with the entire organisation as a whole. The different roles and settings might influence the comparability of the data. In order to handle this, the procedure has been standardized to the best of our ability, to make sure that the interviewees experiences are more or less the same.

The external validity refers to if the results can be representative and generalized (Yin, 2014). Since this study is solely based on one company, the results might not be generalizable to the other companies in the industry. However, it should be brought to the reader's attention that

this is particularly not the aim of this study. The aim is rather to explore the relationship between MCS and innovation, and how MCS is used to support innovation in Stadium.

Reliability is concerned with the possibility that a later researcher could, by following the same procedures, be able to come to the same conclusion (Yin, 2014). This was addressed by recording the interviews, and documenting the procedures. The fact that this study was conducted by two authors increase the reliability, since it allows for discussion between the two parts, ensuring a common interpretation, thus minimizing errors and bias.

3.Literature Review and Theoretical Framework

3.1 Innovation

3.1.1 Definition

According to Adams et al. (2006), innovation is critical for both academics and practitioners, but the term is rather ambiguous and lacks both a clear definition and measure. The UK Department of Trade and Industry (DTI, 2003) takes a holistic approach, defining innovation as "the successful exploitation of new ideas". Additionally, Damanpour (1996) define innovation as, "innovation is conceived as a process that includes the generation, development, and implementation of new ideas or behavior" (p.694). A more recent explanation of the term innovation is stated by Davila (2004), "the creative definition, development, and commercialization of substantially new products, services or businesses" (p.28). This study will take an holistic approach on innovation, focusing on innovation as the development and implementation of new ideas.

3.1.2 Davila's Strategic Concept for MCS

According to Davila (2005), MCS have traditionally been linked with mechanistic organisations, whereas MCSs were perceived as hindering change and innovation. However, recent empirical studies have questioned these assumptions, and further highlighted the positive effects associated with MCS on innovation. Defining it as a system that supports organisations in their efforts to respond and change to an ever changing environment. Davila

(2005) further propose that "instead of a rigid mould that rejects the unexpected, MCS may be flexible and dynamic, adapting and evolving to the unpredictable needs of innovation, but stable enough to frame cognitive models, communication patterns and action" (p37). This recent view of MCS is in line with that innovation is not a random exogenous event that an organisation might experience, but rather innovation can be a process vulnerable to the type of management. In turn, this justifies why some organisations are more successful than others within this area (Davila, 2005). On the basis of this, Davila (2005) presents a framework which highlights the four processes that capture the different effects various types of innovation have on strategic change.

Figure 1: based on Davila's table of strategic concepts for MCS (2005, p.42)

Locus of innovation	Type of innovation defining strategic change	
	Incremental: - Current strategy - Structural context	Radical: - Future strategy - Strategic context
Top management formulation (Top-down)	Deliberate strategy	Strategic innovation
Day-to-day actions (Bottom-up)	Intended strategic actions / emergent	Autonomous strategic actions / emergent

As shown in the table above, the locus of innovation is distinguished by the top management formulation and the day-to-day actions, as well as incremental and radical types of innovation. An incremental innovation modifies the current strategy of the organisation, and is built upon the existing, or easily acquirable competencies. Hence, it is associated with lower risk and lower expected return. In contrast, a radical innovation fundamentally redefines the future strategy and the related competencies. Hence, it is associated with high risk and high expected return (Davila, 2005). These changes in strategy were initially described as a linear process, where formulation were followed by the implementation. Early on, the strategies were designed at the top of the organisation as part of the formulation stage. During this process MCS had no role and was only used as part of the implementation stage. However, over time the design and implementation of strategy has evolved to include more aspects (Davila, 2005).

There are two types of strategies related to incremental innovation, the deliberate strategy and the intended strategic actions/emergent. The deliberate strategy is an evolutionary change that incrementally modifies the current strategy. It is based on the formulations and decision from top management. MCSs role in the deliberate strategy is limited. The intended strategic actions/emergent is similar in terms of incrementally refining the current strategy. However, the role of top management is different, hence their role is to define guidelines that shape the emergent strategy. A deliberate strategy is not randomly mixed with an emergent strategy, and instead of trying to force a deliberate strategy, top management focuses on defining guidelines. It is the day-to-day decisions within in the boundaries of the guidelines that end up defining the strategy taking place. The intended strategic action/emergent is managed through a structural context (e.g. culture, structures, MCS), which purpose is to coordinate the employees actions so that they are in line with the current strategy. Further, the structural context is used and designed to encourage employees to take actions in regard to the guidelines set by top management (Davila, 2005).

Furthermore, there are two types of strategies related to radical innovation, the strategic innovation and autonomous strategic actions/emergent. The strategic innovation is a radical change of the strategy imposed by the top management, whilst the autonomous strategic actions emerge from individuals or small groups (bottom-up). The autonomous strategic actions often shape-up without top management being aware, many times invalidated along the way, thus giving it a low success rate. They are often based on radical innovations characterized by significant differences in organisational capabilities. These strategies emerge throughout the entire organisation, and do not fit within the current strategy. In comparison to the incremental strategies, the structural context does not support the radical innovations. Therefore, the autonomous strategic actions are managed through a strategic context, which through belief systems (Simons, 1995) and culture, encourage variation and disregards actions coherent with the current strategy (Davila, 2005).

3.2 Management Control

3.2.1 Definition

Due to its decisive significance in this study, there is a need to initially define the term management control because of the various definitions and notions provided in previous

literature. There are a large number of different definitions and descriptions of MCS, some of which overlap, and some that very differently from each other. One of the first to describe management control as "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishments of the organisation's objective" was Anthony (1965, p.17). This approach had an accounting focus, hence cultural or social-psychological controls were not considered.

According to Fisher (1998), "control is used to create conditions that motivate the organisation to achieve desirable or predetermined outcomes" (p.51). He further highlight the difficulties with discussing management controls, this because the contradiction and ambiguity surrounding the definition of management control. Malmi & Brown (2008) state that " management controls include all the devices and systems managers use to ensure that the behaviors and decisions of their employees are consistent with the organisation's objectives and strategies, but exclude pure decision-support systems"(p.290), and is the chosen definition used in this study. The reason for this is based on the fact that the framework presented by Malmi and Brown (2008) has a rather wide approach that is supported by four decades of research within MCS. Their research results in an arrangement of controlling tools that are used by managers within organisations to establish control of the organisational behavior. In this approach the authors also separate the control systems from decision-support systems, whereas the latter is not included in their study. Since there has been an evolution of the design of MCS throughout the years it can be argued that Malmi and Brown's framework, to a larger extent, considers contemporary tools that responds to the needs that can be seen in complex organisations, notably within the context of innovation. Moreover, what further strengthens the use of Malmi and Brown's framework is the well-rounded depiction and comprehensive use of the cultural controls, which goes in line with emphasizes that are put towards cultural aspects in the study.

3.2.2 The Management Control Package

Malmi and Brown (2008) define their framework as a package to underline that MCS should not be studied in isolation. They argue that in most contemporary organisations various MCSs are proposed, presumably by different people, at different times, hence not designed as a single system. According to Malmi and Brown (2008), the MCS package is structured around five different groups of controls: *cultural controls*, *planning*, *cybernetic controls*, *reward and*

compensation and *administrative control*. The framework is based on the idea that all these groups are important components in the package. In the following section each part will be further described to provide a comprehensive understanding of the concept.

Figure 2 "Management control systems as a package-Opportunities, challenges and research directions" (Malmi & Brown, 2008, p. 291)

Cultural Controls					
Clans		Values		Symbols	
Planning		**Cybernetic Controls**			**Reward and Compensation**
Long range planning	Action planning	Budgets	Financial Measurement Systems	Non Financial Measurement Systems	Hybrid Measurement Systems
Administrative Controls					
Governance Structure		Organisation Structure		Policies and Procedures	

Cultural controls

The concept of culture is described as a force that steers the human behavior, and is defined as "the way of life, especially the general customs and beliefs, of a particular group of people at a particular time" (Cambridge Dictionary, 2018). However, to apply this in a more organisational context the organisational culture has been defined as the set of values, social norms and beliefs shared among the members of the organisation (Flamholtz et al. 1985). In many cases culture may exist as a context in relation to an organisation. Nevertheless, culture is a control system that can be used to direct behavior (Malmi & Brown, 2008). Further, the framework by Malmi and Brown (2008) considers three aspects of culture controls; *value-based*, *symbol-based* and *clan controls*. In order to cover the cultural controls in a distinctly and comprehensive way the aspects will be analyzed further separately.

Value-based controls

A value-based control is a concept developed through Simons' (1995) theory of Levers of Control. One of the four levers is named belief systems and is described as a set of organisational definitions used by senior managers to express beliefs, i.e. basic values, purpose, as well as direction for the organisation. These definitions are further used to support the values and directions that are desired for the subordinates to adopt. The organisation's

mission and vision statement, credos and statements of purpose on the other hand are said to be belief systems that convey the values.

Within the organisation, these beliefs are used to shape the psychological relationship between the individuals and the organisation they operate within, i.e. shape the organisational commitment of the employees. The linkage between the organisation and the individual can be expressed in two ways, either in terms of the loyalty of the employee and the obedience to the organisation's values, or the level of involvement towards the work (Bass and Avolio, 1993). Kelman (1958) and O'Reilly (1989) further explain that this organisational commitment can be expressed in three ways: *Compliance* refers to an expression where the organisation's values are followed by the employees without being abided (Malmi and Brown, 2008). When employees are complying with the values of the organisation they are likely to establish an involvement that is either alienated (personal values) or calculative (extrinsic rewards) (Mullins, 2008). *Identification* is referred to by Alvesson and Karreman (2004) as a commitment where employees adjust their own values to the values of the organisation. This is done to act accordingly, despite if they do not adhere to them on a personal level. Conclusively, this may lead to satisfaction and pride due to employees being able to identify themselves with the actual organisation. *Internalization* is the third way of expressing the commitment, and is referred to a state where the values of the employee coincide with the values of the organisation (O'Reilly, 1989). According to Malmi and Brown (2008), organisations generally tend to recruit candidates that possess these features.

Clan controls
Ouchi (1979) introduced the concept of clan in control research. It was defined as a process where the behavior in an organisation was shaped by shared values, norms and common goals. This would enable employees to act in accordance to the shaped behavior and therefore identify themselves with the organisation (Kirsch et al., 2010). On this basis Kirsch et al. (2010) argue that clan control is in need of a deep level of commitment to the organisations social norms and a high level of agreement between the employees. Further, this can be accomplished by socialization of the employees through ceremonies, rituals and training (Kirsch, 1997).

In addition, the presence of clan control does not solely have an impact on the employees' behavior. Sharing of experiences and practices will not only facilitate the achievement of

common goals, but also enhance solidarity and increase the employee's level of commitment to the actual clan (Singh, 2008). Finally, Singh (2008) emphasize the importance of clan control when the performance outcomes of an organisation are ambiguous, i.e when individual performance are unclear or when explicit monitoring is onerous to implement.

Symbol-based controls

The third aspect is symbol-based controls, which, according to Schein (1997) are all the physical aspects created by organisations that can be felt, heard and observed. These symbols can be the following; the features of a specific product, the dress code, language and emotional displays used in the organisation, the architecture of the office building, and myths, stories, rituals, and ceremonies that can be seen. Commonly these symbols can usually be easily observable, but still difficult to interpret for persons outside of the organisation.

Planning controls

The role of planning controls is to direct effort and behavior, to set objectives of the functional areas within the organisation. It further clarifies what behavior and level of effort excepted from the employees. The planning allow for coordination of groups and individuals to ensure they are acting in line with the desired goals. The planning controls come in two broad approaches, action planning and long-range planning. Looking at action planning, goals and actions are established for the immediate future, usually a 12-month period. Whereas in longe-range planning, goals and actions are established for the medium and long run (Malmi & Brown, 2008).

Cybernetic controls

According to Green and Welsh (1988), "control is a cybernetic, regulatory process that directs or constrains an iterative activity to some standard or purpose. Any process that does not exhibit all these elements should not be construed as control" (p.291). Malmi and Brown (2008) explain that cybernetic systems in organisations can either be an information system or controls system, depending on how it is used. Further, from research on MCS, four basic cybernetic systems have been identified; budgets, financial measures, non-financial measures (e.g. BSC) and hybrid measurement systems.

Reward and compensation controls

Reward and compensation systems are used to achieve goal congruence between individuals and groups within the organisation, and those of the organisation. A basic argument for

rewards and compensations is that it leads to increased effort, in comparison to the absence of these (Bonner & Sprinkle, 2002). Rewards can range from extrinsic to intrinsic, and in management accounting more focus has been directed towards extrinsic motivation. In Malmi and Browns (2008) typology, reward and compensation is seen as a separate element. This is because although rewards are often linked to cybernetic controls, employees can be rewarded and compensated for other reasons, this includes encouragement of cultural control, via group rewards.

Administrative controls

Administrative controls systems direct and monitor employee behavior. The process specifies how employees are to behave, and how tasks are to be performed (Malmi & Brown, 2008). Within administrative controls, Malmi & Brown (2008) consider three groups of controls, *organisational design and structure*, *governance structure* and *procedures and policies.*

Organisational design can be effective, as a particular structure can guide and encourage certain actions (Alvesson & Karreman, 2004). According to Malmi and brown (2008), many researchers look at organisational design as a contextual variable, and not part of any control. However, Malmi and Brown (2008) look at it differently, "we include it as it is something managers can change, as opposed to something that is imposed on them" (p.294).

The governance structure is related to the composition of the board, as well as all the management and project teams. The governance include systems in place to ensure that actions taken by the employees with various functions and within different organisational units are coordinated, both vertically and horizontally. There are regular meetings, agendas are created, and deadlines are set to direct the behavior of the members (Malmi & Brown, 2008).

The use of policies and procedures specify the behavior and actions within the organisation, related to a bureaucratic approach (Malmi & Brown, 2008). According to Merchant and Van der Stede (2003), policies and procedures can be referred to as action controls, e.g. behavioral constraints and pre-action reviews.

3.2.3 Target Costing

Due to a fierce global market and ongoing technological development, many manufactures have altered their systems and production methods (Ax et al. 2008). Product innovation is key for a company to stay competitive and in order to survive (Gagne & Discena, 1995). Cooper and Slagmulder (1999) propose that companies must become experts at product development. Understanding how MCS, such as the concept of target costing, will help management in different settings, is important (Chenhall, 2003). Companies must be able to deliver products with the functionality and quality that the customers demand, whilst at the same time generating the desired profit. To ensure this, products should be subject to target costing (Copper & Chew, 1996). The logic behind target costing is simple. It starts by looking at the marketplace, from there the organisation maps out which customer segments and targets are the most attractive. In turn it shows the level of quality and functionality needed in order to succeed within each segment, given an already established target price (Copper & Chew, 1996). Target costing further builds upon the idea that once the quality, function and cost is determined, little can be done to alter these elements once the design is set (Ax et al, 2008).

According to Cooper and Slagmulder (1999), "Target costing is primarily a technique to strategically manage a company's future profits" (p.23) In order to manage the future profit, the company has to determine the life-cycle cost where a proposed product with specified functionally and quality is produced. This if the product is to be profitable at the desired selling price. For a company to establish its target cost, they consider the selling price of a specific product and subtract the desired profit margin (Copper & Slagmulder, 1999).

Figure 3: "Develop Profitable New Products with Target Costing" (Cooper & Slagmulder, 1999 p.23)

Figure 1
Three Main Elements of the Target Costing Process
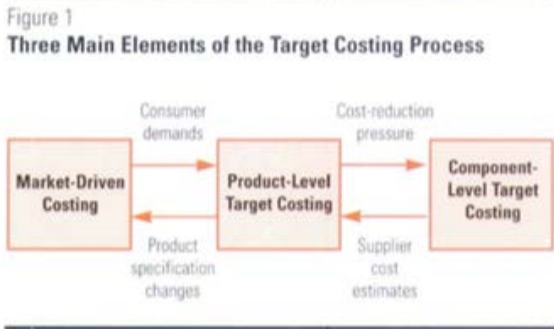
For target costing to be as effective as possible, the process has to be highly disciplinary. Cooper and Slagmulder (1999) suggest that the process can be divided into three categories (figure 3), market-driven costing, product-level costing and component-level target costing.

Market-driven costing is described by Cooper and Slagmulder, (1999) as "market-driven costing focuses on customer requirements and uses the concept of allowable cost to transmit the competitive pressure of the marketplace to the company's product designers and suppliers" (p.24). The market-driven costing can be divided into five steps, whereas the first two steps are present in all the company's products, whilst the following three are performed for each new product (figure 4). The first step is to *set the company's long-term sales and profit objectives*, highlighting the role target costing play in terms of profit management. The primary objective of this step is to ensure that each product contributes its planned share of profit. The second step is to *structure the product line* successfully. This must be done in order to satisfy as many customers as possible, but nevertheless, there is a risk that too many products might confuse the customers. The next step, *setting the target selling price* is performed for each new product. The target costing requires the company to set a selling price. Looking at the price setting process, the concept of perceived value is of importance, hence customers might pay more for a product than for its predecessor if its perceived value is higher. The fourth step is to *establish a target profit margin*, this must be in line with what the company must earn on the product so that the company can achieve the profit objective. The last step is to compute the allowable cost, this is done by subtracting the target profit margin from the selling price (Copper & Slagmulder, 1999).

Figure 4: "Develop Profitable New Products with Target Costing" (Cooper & Slagmulder, 1999 p.23).
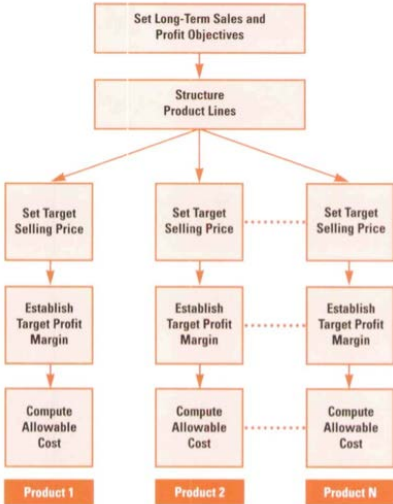
The second element in Copper and Slagmulder (1999) process of target costing is product-level target costing (figure 3). In this element the designers focus on creating products satisfying the customers at a allowable cost. The product-level target can be divided into three steps, where the first is to *set the achievable product-level target cost*. In today's competitive market, customer expectations in terms of quality and functionality are increasing, and so are reduced prices. Looking at these improvements, or a combination for that matter, requires the company to reduce the cost of new products to ensure profitability. In order to achieve the allowable cost, the degree of cost-reduction is required. The cost-reduction objective is derived by subtracting the allowable cost from the current product cost. The product-level cost is established through negotiations between engineers, product designer and suppliers.

The second step of the product-level target costing is *to discipline the target costing process* in order to make sure it is met where feasible. Now, in this step the company can start designing the product so that it can be develop based on its target cost. Important, the chief engineer must consciously monitor the process in order to make sure it is heading towards the objective. This constant monitoring makes it possible for the company to take corrective action, avoiding the cardinal rule. The cardinal rule says that "the target cost must never be exceeded" (Copper & Slagmulder, 1999 p.29), and it is critical for target costing to be maintained throughout the entire process.

The last step on product-level costing is to *achieve the products targeted cost*, but without losing out on functionality and quality. To do this, several engineering techniques can be used, such as value engineering. The value engineering technique is appropriate in terms of its multidisciplinary approach to product design. At the same time as it reduces the cost, it increases quality and functionality, maximizing customer value (Copper & Slagmulder, 1999).

The last of Cooper and Slagmulder's (1999) elements is the component-level target costing. When the target cost is established for the product, the company then further develops target cost for each component. "This component-level costing process enables the company to achieve the second objective of target costing: transmitting the competitive cost pressure it faces to its suppliers" (Cooper and Slagmulder, 1999 p.30). Further Cooper and Slagmulder (1999) state that this objective is crucial in horizontal (lean) enterprises. The component-level

target costing is divided into three steps, where the first is to decompose the product-level target cost to function level. Functions are what provide the functionality that enables the product to fulfill its purpose, example of this are, the engine and transmission in an vehicle. The second step is to set the target cost for the component-level, and the last is to manage suppliers (Cooper & Slagmulder, 1999).

3.3 Theoretical Framework Based on the Theories Presented in This Study

The framework of Davila (2005) identifies four different types of strategies, all in relation to the locus and type of innovation. Based on where in the framework the organisation finds itself, or desires to be, the organisation makes use of different MCS to support innovation. Malmi and Brown (2008) point to the idea that MCS do not operate in isolation. An idea that is supported by Chenhall and Moers (2015), who seemingly warns about studying specific elements in isolation. Malmi and Brown (2008) state that in most contemporary organisations various MCSs are proposed, presumably by different people, hence not designed as a single system. As such, the authors have chosen to analyze the MCS as a package of control systems.

In relation to this, studying innovation in practice, such as target costing has been conducted before, however not as part of a broader package. The authors find that the concept of target costing has a great influence over innovation, but not as a concept acting alone to support innovation. Based on Davila (2005), the MCS package (Malmi & Brown, 2008), and the concept of target costing (Copper & Slagmulder, 1999), the authors propose a theoretical framework. The framework utilizes innovation and a MCS package where the parts mutually affect one another. Furthermore, this theoretical framework will be applied on the case of Stadium to analyze and discuss the use MCS to support innovation.
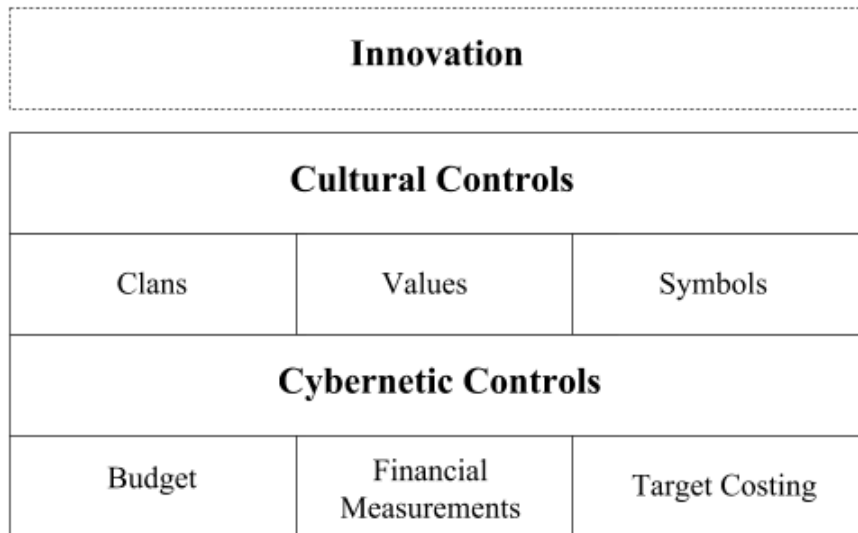
The MCS Package for the study of Stadium

4.Presentation and Analysis of Empirical Findings

4.1 Stadium and its History

Stadium is a large size sports retail company operating in the northern European retail market. The company is a family owned company that was founded in 1974 by the brothers Ulf and Bo Eklöf. It was initially started as a side business called Spiralen Sport, located in a basement in the city of Norrköping, Sweden. The concept of Stadium was launched a few years later, in 1987 and has been the leading sports fashion chain in the Nordic region during the last three decades (Calås-Jonsson, 2013). By the year of 2018, the company is still owner-managed in the second generation by Ulf's son, Karl Eklöf, and in the same year, the company opened its 170th store (Stadium, 2018). In 2014 the first store was opened in Hamburg, Germany, which became Stadium's first step in the expansion outside the Nordic region. The head office is located in Norrköping, and the company has over 3500 employees. Revenues during the fiscal year of 2016/2017 reached close to 6 billion Swedish kronor (Stadium, 2018).

The company offers sporting goods and sports fashion in three countries; Sweden, Finland and Germany. Their products are sold through five different business concepts; Stadium,

StadiumPulse, Stadium Outlet, Stadium Ski, and Sneakers Point. Through the various concepts the company aims at targeting a rather broad customer group based on the vision to offer an "active lifestyle for everybody". Stadium operates as a reseller for numerous renowned brands, such as Adidas, Nike, Reebok and Peak Performance, but they also offer an considerable assortment from their own line of brands, such as SOC, Everest, Wrap, Race Marine and Occano (Bo).

4.1.1 The Story

The foundation of today's Stadium has its origin in 1974 when Ulf and Bo Eklöf acquired Spiralen Sport, a small local sports store in a department store in Norrköping. This was a time when the Swedish sports retail industry was undergoing a major change, as items previously sold over the counter were now out on the floor, enabling the customers to get their hands on the products (Calås-Jonsson, 2013). This change came as an answer to the fact that the sports interests in Sweden were on the rise, as a result of strong achievements from Swedish sport profiles like Ingemar Stenmark and Björn Borg. At the same time, new trends grew in popularity, such as jogging and aerobics, which led to an increased demand for sportswear. This is something that the Eklöf brothers took advantage of by rapidly absorbing new trends (Calås-Jonsson, 2013).

According to Ulf Eklöf, *"a big part of the success was that we crossed sportswear and sports products with fashion. The competition was blown away, because this was something that no one had done before"* (Calås-Jonsson, 2013 p.19). Further, the brothers put emphasizes towards the exposure of the products in the store, and by keeping prices down they could sell extensive volumes in a short period of time. This created incentives to constantly sharpen their purchases and make fast deals, which made it possible to quickly resell the products in the store (Bo).

One of the brothers' strengths was that he dared to advertise. This had not been done in the sports industry in the past, but it created a lot of traffic from customers to the stores. *"Their way of working was radical, to say the least"* (Calås-Jonsson, 2013 p. 20). Their great interest in competition has shaped the brothers to become extreme contestants. One has always wanted to win over the other, something that has created a context to constantly drive each other, which eventually come to evolve into a lifestyle. Roger Bäckström, a former employee, describes that to the Eklöf brothers it has always been important to make everything a bit

better, always purchase at a little better price and constantly sharpen the offers to the customers (Calås-Jonsson, 2013).

In the beginning of the 21st century the brothers were eager to expand and try their business model outside the Swedish borders. The aim was set on the Nordic neighbors Denmark and Finland. Prior to this, they had an ambition to strengthen the board of directors and their balance sheet, hence they were looking for an pragmatic external financial investor. They choose the business man Fredrik Lundberg with his investment company, LE Lundbergföretagen AB, also originating from Norrköping. Their partnership lasted for four years, and came to an end due to the fact that they had different opinions concerning Stadiums future on the stock market. Fredrik Lundberg, who wanted a fair value on the stocks argued for an IPO, whereas Ulf and Bo did not see Stadium as suitable for the stock market. Their main argument was that a business model that is highly dependent on external factors such as weather and fashion trends was not going to favor of the volatility on the stock market. As such, the brothers repurchased the shares from Lundberg, and started to look for an investor with a long-term investment horizon, outside the stock market. Through acquaintances they came in contact with Ingvar Kamprad. He had a positive picture of the company and saw the industry as exciting (Calås-Jonsson, 2013). In 2005 Ikano A.S. purchased 25% of the shares in Stadium, and is still the only external investor in the company. Roughly around the same time Birger Lund, former CEO of Ikano, IKEA Sweden, IKEA England and IKEA China, entered the position as the chairman of Stadium, a position that he still holds as of today (Stadium, 2018).

4.1.2 Early Years

When the brothers were young, Ulf and Bo were asked to help out in their parents' supermarket store. According to Bo, this became an important lesson where they learned the fundamentals of selling. This included; how to expose goods, that the customer is always right, that you have to advertise if you want to get customers to come, and to constantly add new products to the shelfs. Their father often used the words "Every day is a new match", which later became a keyword in their own business mindset. Due to the fact that they had grown up with the parents' supermarket store, where the attrition rate was crucial, and advertisement was done in the newspaper, they brought a new type of mindset to the sports retail business (Bo).

The history of Stadium has been characterized by extensive and dared decisions with exhaustive and patient work, which luckily has had fortunate outcomes. Prior to the foundation of the Stadium concept, and in addition to the store Sprialen Sport, the brothers elaborated with various concepts. These concepts consisted of Race Marine and Red Devil, two Stockholm-based stores selling high-end sports-fashion clothing, and the clothing-chain En&En, later named Map. These projects gave the brothers indispensable insights and experiences in the industry of retail, and were the groundwork of the concept of Stadium. (Bo).

Initially when the Stadium-concept was launched it was the first general sports store concept in Sweden. According to Ulf, the idea was that the entirety was going to build the brand. Attributes like racetracks, a portal, plinths, bows and ribbons were used to transform the atmosphere from the American sports into an identity for the store. The whole idea was based on the vision that everyone would feel like a winner when they entered the arena, The Stadium (Calås-Jonsson, 2013).

With role models such as H&M and IKEA, the Eklöf brothers has managed to make Stadium a market leader in the Swedish sports industry with emphasis on a strong goal awareness, tough negotiation techniques and a constant will to improve (Calås-Jonsson, 2013).

4.2 Strategic Concepts for Innovation in Stadium

The idea and typology of Davila makes it possible to analyze Stadium's work towards innovation. Davila's framework captures the effects of different types of innovation on strategic change.

"We were precursors in our industry" - Bo Eklöf

A first example of radical innovation comes from the early years of Stadium. Bo explains that he and his brother worked part time at their parent's grocery store, where all the products were constantly exposed. As mentioned in the story of Stadium, the brothers noticed that this was an effective way of showing all the products, hence they embraced the concept. Bo further explains that in the early years of Stadium, radical decisions were common (Bo). There were many actions taken by the brothers, which at times put the entire business on the verge of failure. Such actions were everything from risking it all on large batches of products, to buying bankrupt sport stores. Luckily, in line with the words of Davila (2005), radical

decision are of high risk, but have high rewards, and has set the foundation of what Stadium is today.

"What happened ten years ago is history, what happened last year is history, in this industry, it all changes so quickly" - Sara Hermansson

Up till present day Stadium works actively with trying to be a leader in the industry. Sara explains that everything moves extremely rapid, forcing Stadium to be alert in regards to all type of changes. She further explains that a major decisions regarding parts of Stadium's future was taken a couple of years ago, when two new concepts were developed to cope with the changes in the industry. The two concepts were two niche stores, StadiumPulse and Sneakers Point, whereas Sara was responsible for the development of the two. StadiumPulse is a store concept developed to capitalize on the growing demand of running and training apparels within the urban areas, whereas Sneakers Point is a store that offers exclusive sneaker that only a few stores in Sweden are certified to sell (Sara). The development of the concept stores can be seen as a radical step in Stadiums future strategy. It is two decisions characterized with high-risk, that also enables high returns. These two concept stores where outside of Stadiums current strategy, whereas they up till then mainly focused on their original Stadium stores. The overall impression of Stadium is that they do not only develop ideas to follow the current industry, but also to set the standards for the future in the industry.

Further on, there are also examples of incremental innovation, where the current strategy has been modified, but not gone outside of the organisational boundaries. Sara talks about, what they internally refer to as, Stadium Gradum, which is the "new generation" of the original Stadium stores. Gradum is developed as a response to the internet becoming an ever-growing factor. The project puts much effort on the development of Omni-channels in order to create a seamless shopping experience (Sara). This can be seen as incremental since it allegedly is something that is imperative to stay competitive. This new strategy does not break any new ground, and just as the theory suggests, Stadium can readily identify its effects. Sara explains that representatives from Stadium annually visit thousands of different stores around the world to look for new concepts and ideas. Some of these concepts and ideas are then used to improve the concept of Stadium (Sara). These trips can be seen as a way of continuously improving the current strategy, putting it in the category of incremental innovation.

Making an overall assessment based on the data collected from the interviewees, the authors suggest that there are both innovations of incremental and radical character. However, much is of radical character, and many of the radical innovative ideas are the reason behind the success of the company. Considering the history of Stadium, much point to the fact that radical decision will further be a part of Stadium and its success.

"Ideas can come from every corner of the organisation" - Victor Fridholm

Further, the empirical data aimed at creating an understanding of where in the organisation all these ideas came from (e.g. StadiumPulse, Gradium), and to what extent the employees have an influence over the future decisions in Stadium. From talking to various employees it is evident that ideas emerge from every corner of the organisation. Victor says that the organisation strives to make all the employees feel comfortable enough to come up, and communicate his or hers ideas. He explains that this is important since the employees working in the lower part of the hierarchy are the once that are closer to the everyday business and the customers (Victor).

"Stadium is a really flat organisation" - Sara Hermansson

Sara's thoughts are very similar to Victors on the basis that she says that there is a really open atmosphere in the company. Notably, she says that she always feel comfortable knocking on the door of the CEO and communicating her ideas (Sara). The words from Dennis further strengthen this alleged open atmosphere. An example of an idea emerged from Dennis is regarding a product under their own brand, Everest. Dennis explains that he saw an increasing demand in a category which he referred to as "casual look". He proceeded with the idea of developing a trench coat, and after a quick meeting, he was given free hands to move on with the project. Eventually Stadium ended up designing and ordering around 40 000 examples of the trench coat (Dennis).

Going back to the concept of StadiumPulse, it was an idea that came from the corner of the organisation. Even though the concept was modified, and further developed along the way, the actual idea came from a store employee. This type of idea generation can be considered as an emergent strategy with autonomous strategic action. The empirical data suggests that ideas may come from anywhere in the organisation, at any point in time. This type of idea

generation is supported by the organisation, hence they work actively with motivating the employees to make a difference.

Even though a lot of ideas emerge from various corners of the organisation, there are also examples where ideas have come from, and been executed, by the top management. This generation of ideas is in line with a deliberate strategy (Davila, 2005). Stadium Gradum is an example of this, and is advantageous in the way that the ideas can be executed efficiently and quickly. In difference to a strategic innovation, this strategy is closely monitored, and of low risk exposure.

In terms of the idea generation at Stadium, there is certainly a mix of where ideas come from. However, the author's understanding is that even if decisions are taken and executed by top management, there is a mentality that embraces that fact that ideas can come from every corner of the organisation. Furthermore, Stadium actively works, and highlights the importance of employees expressing ideas and opinions. A further proof of this is an internal competition where employees express their ideas, and the best idea is awarded (Sara).

4.3 The MCS Package in Stadium

4.3.1 Cultural Controls

As a company with a vision to activate the Nordic people Stadium has revolutionized an industry and created a strong and successful corporate culture. According to Calås-Jonsson (2013), the culture strongly emphasizes a willingness to always dare, to grow and to win.

In line with Malmi and Brown's (2008) framework the cultural aspects play an imperative role in the control system (Malmi & Brown, 2008). Throughout the interviews with the people working at Stadium the interviewees commonly stressed the importance and gravity of the founders as culture bearers. Ulf and Bo Eklöf, who grew up with the business mindset of a local supermarket, and a tremendous competitive interest, has managed to incorporate their own personalities into the core of the organisation. As of today, the founders do not possess any operative roles in the company, and are not obligated to any of the day-to-day actions. Nevertheless, due to their great curiosity, both Sara and Dennis say that Ulf och Bobo are having a hard time keeping their hands off most significant business decisions. Calås-Jonsson (2013) resembles Ulf and Bo with Disney's Chip and Dale, or two Duracell bunnies *"and if*

you would meet them, you would know why" (Calås-Jonsson, 2013, p. 38). Ulf, who is the older brother, is seen as the visionary, the entrepreneur who has an extreme eye for details and sees possibilities in basically everything. Bo is the more competitive of the two and is seen as a peoples person, something that has been extremely important when it comes to relationships and negotiations with suppliers (Calås-Jonsson, 2013).

"It's obvious that Ulf and Bo, through their presence and their influence on the culture has played a tremendous part in the continued development for Stadium. Eventually it comes down to a sort of restlessness, curiosity and a great deal of the brothers' competition and winning mentality" – Sara Hermansson

According to Dennis, the brother's constant will to improve is still evident in the way they emphasize the creation of "blue oceans" by finding their own path, instead of just focusing on beating the competitors. This is evident both on a product level and on a larger, more strategic, business concept level. Dennis says that *"They don't compare themselves with the competitors, instead they strive to create something new"*. This further goes in line with Ulf's own saying *"The one who never gets lost finds no new paths"* (Calås-Jonsson, 2013 p. 69).

The gravity of a strong corporate culture has further been emphasized by Gustaf Öhrn, who acted as Stadiums CEO during the years of 2008-2015. He says that *"I stayed at Stadium for seven years, and that was an amazing time. What I mainly bring, both from my time at Stadium and at H&M, is the importance of a strong corporate culture and what a huge competitive advantage that can be"* (Östgren, 2016, p. 1)

Value-based controls
Even though Ulf and Bo are still highly concerned with the progression of Stadium they no longer hold pronounced positions within the company. For this reason, Bo explains that he is delighted that Ulf's son, Karl Eklöf, who possess many of the decisive traits that he´s father holds, currently acts as the CEO. This way the Eklöf family can maintain as a culture bearer to preserve the core values of Stadium. The employees of Stadium have a pronounced way of working called *Stadiumandan,* which is meant to permeate the business. This stands for Energy, Simplicity, Team Spirit, Improvement, and Cost Consciousness. Energy, is seen as the most prominent keyword. This is how the company first was founded; out of two empty hands, and an exceptional amount of energy. Simplicity, is about doing things the easy way,

and not complicate things. Team spirit, illustrates that the team effort is prioritized over individual effort and the importance of uniting the workforce. Improvement, is another keyword that emphasizes Ulf and Bo's ability to always see possibilities to develop and improve. Cost consciousness, is something that is innate within the brothers, and permeates the business, both explicitly and implicitly (Calås-Jonsson, 2013). By constantly keeping these in mind, employees can more easily have a common approach to their daily work and identify themselves with the values of the organisation. This makes it possible to create both compliance and identification, in line with the words of Kelman 1958; Malmi and Brown, 2008; Alvesson and Karreman, 2004). This further goes hand in hand with the words from Victor, *"it is evident that their values and competition instincts has affected the corporate culture, and is now permeating every corner of the company"*.

Furthermore, it is evident that internalization plays an important part within the value-based controls (Malmi & Brown, 2008). When it comes to recruitment of employees Ulf explains that emphasizes has been put towards *"finding people with the right type of mindset"* (Calås-Jonsson, 2013 p.186). Marie Fridström, one of the first persons to be responsible for human relations at Stadium, says that *"they were early with the aim to create a culture where people could be creative and blossom, supported by confident leaders who sees the best in every individual"* (Calås-Jonsson, 2013 p.176). It also appears that recruitment in many cases happens internally rather than externally. Nevertheless, the organisation has grown considerably in recent years which have led to a need of external knowledge to complement the internal competences. Further, Karl Eklöf highlights the importance of recruiting the right people by stating that *"In addition to the general threats like digitization and increased competition, it is of course a tug of war to attract the competence that will enable us to continue our business for at least another 30 years"* (ÖHK, 2018).

Ulf and Bo has made its mark on the leadership within the organization by placing great demands, but also by leaving room for own initiatives and letting people operate in an autonomous way. They have also been notably competent in associating the right people with the right skills.

"This is something that I am particularly proud of. We have had people who have stopped working with us, but eventually come back, and it's quite common. They tend to see that the grass was not greener on the other side. For us, we put no prestige in the fact that they have

resigned, and don't say that they can't return, like many others in the industry. Instead, we can see that they have gathered knowledge outside the company and then bringing that back."

- Bo Eklöf

The fact that stadium has remained a successful family business is another proof of value-based controls. Bo describes himself and his brother as *"two normal guys, with normal intelligence, but with a drive to always improve thing"*. He further says that *"We believe this is something that can motivate people, that anything is possible, as long as you have the ambition"*. In addition, what is important and strengthens the way a family business is operated is that there is an emotional involvement and responsibility. Entrepreneurship seems to thrive in family businesses, partly because it becomes a way of life that requires the commitment of the whole family (Bo). Bo states that *"The person who leads the company is not only married to his or her partner but also with the company, and needs emotional support and support from home"*.

Ikano, and Ingvar Kamprad's partnership with the Eklöf brothers could possibly have come as result of this. A combination of similar business models, which are characterized with a high degree of cost awareness, and the emotional involvement that comes with a family business gives the cultures similar core values. For this reason it acts as a combination of value-based and symbol-based control (Schein, 1997). Ulf mentions that the decision to leave the partnership with Fredrik Lundberg and accompany with Ikano has been extremely valuable. According to Ulf:

"We think alike in the major, crucial issues. We have a long-term horizon, a business mindset and a cost awareness that harmonize. We want to use the money within the company, to enable it to continue to grow" - (Calås-Jonsson, 2013 p. 161)

Clan control

Along with the original culture incorporated by the founders, the presence of clan control (Ouchi, 1979) is evident based on the emphasize that are put towards engaging the employees to be a part of a movement. The slogan *"Join the movement"* was introduced with the idea of creating a sense of affiliation, both towards the customers, and the employees of the organisation. In line with thought of Kirsch et al. (2010), Sara points out that Stadium embrace the idea of an active lifestyle, and encourage the employees to takes some extra time

around lunch to activate themselves. Further, Stadium offers the employees numerous running and skiing events across the country throughout the year, e.g. Vasaloppet and Midnattsloppet. One of the biggest events is the, so called Stadium Olympiad that is organized every second year. Bo explains this as a sitting, where all 3500 employees are invited with the aspiration to enhance the team spirit, exchange experiences and unite the workforce. This is something that corresponds with the thoughts of Singh (2008). Bo clarifies that what they would like to accomplish is to make the organisation feel like a small family business, despite its current size. Furthermore, this is something that both Victor, Sara and Dennis affirms.

Symbols

All of the interviewees mention the symbols of Stadium as important cultural attributes, which further contributes to evident cultural controls (Schein, 1997). As stated earlier, Stadium was the first general sports store concept in Sweden. By the use of racing tracks printed on the floors, plinths and ribbons used as exposure tools, and a massive portal in the entrance they wanted to make every customer feel like they were participating in a race, a race were they eventually came out as a winner. In the beginning, the idea was to transform the atmosphere from the American sports culture to an entirety. For this reason Stadium was very early at building its identity by consciously integrating architecture, graphic identity, imagery, packaging design and more. According to Sara, *"these attributes became synonymous with Stadium as the concept grew, and Stadium can to some extent be seen as institutionalized in the Nordic retail industry today"*.

As of today these symbolic attributes are not only permeating the stores, but the organisation as a whole. When stepping inside the headquarters in Norrköping, one could not initially tell if you stepped inside one of their actual stores or the office building. The architecture, colours and the graphic identity all goes in line with the sports-like attributes that is Stadium. Walking around in the office building the office landscape is notably open, which inspires to an active way of working where you rather go and talk to someone instead of sending them an email. There is no explicit dress code at the office, but it is noticeable that everyone is influenced by an active lifestyle where sneakers, a pair of jeans and a t-shirt is the most common outfit.

The use of slogans such as *"Join the movement"* and the their mission to *"offer an active lifestyle to everyone"* can be seen as a control tool to build brand recognition, and furthermore

appeal and motivate the customers, but also to align the workforce and inspire them to work towards the same ultimate goal.

4.3.2 Cybernetic Controls

Budgets

In the beginning the brothers did not work with clear budgets, but relied on, what they call, *"a gut feeling"*. Due to their innovative way of marketing and exposing the products they became exceptional at creating a demand on the market and finding the most prevailing products. *"We had direct contact with customers and knew what they were asking for. This meant that we could act quickly and dared to buy large volumes"* (Bo). According to Calås-Johnsson (2013), the brothers came to know more about the shopping habits of the Swedish people, and had a better understanding of the customers' personal finances than the actual suppliers. At this time budgets were not prioritized, and their entrepreneurship was about daring to try, daring to make mistakes, and learning from them. According to Bo, the use of budgets in the initial years was seen as constraining.

"If we had used budgets in the beginning, we would not dare to invest as much as we did. That made us increase sales by seventy, eighty percent at best. A budget would probably have been more cautious and increased sales maybe by twenty percent" - Bo Eklöf

From the very start Stadium has been in the forefront of trying out and experimenting with new concepts. This is something that the management has emphasized, and for that reason dedicated considerable financial resources. When a new concept is presented to the board they have to have a clearly defined customer group in mind but the need of a comprehensive budget is not emphasized since the process should not be too long. The mindset is rather to *"dare to try new things, and dare to fail"* (Bo).

Financial measurement systems

As of today, budgeting and sales analyzes (i.e financial measurement systems) are of importance. Sales analyses are conducted every month, which looks at all numbers and makes a comparison on the corresponding numbers from the previous years. Further, they look at the retail market in each specific city, to see if a competitor recently has opened a store that has resulted in a loss in sales or customer flows. In addition, due to changing shopping habits and

increasing rental expenses the areas in the stores are constantly evaluated in order to be optimized or cut down in size in enable improved cost structures for future years.

At Stadium the sales department is responsible for the follow ups, and informs the other departments. They also evaluates the performance of each product, to see what is performing well, and what is not, and further if anything has to be purchased at a larger batch. The sales figures from all the stores are sent out daily to the people working at the head office. Thereafter the sales figures, and other key figures on their and the other stores in the region are sent out to each store manager.

4.4 The Use of Target Costing in Stadium

With increasing revenues many have considered Stadium to be a strong player in the Swedish sports retail industry. A reason for this is the use of target costing. From the interviews with Dennis, Victor and Bo, it is possible to resemble the philosophy of Stadium with the concept of target costing, i.e. the thoughts of Copper and Slagmulder (1999). A proof of this lays within the fact that in order to stay competitive and be innovative, Stadium has become experts at developing products to desired prices, whilst maintaining the quality and functionality that the customers demand (Copper & Slagmulder, 1999). This is primarily done through their own line of brands: Everest, SOC, Warp, Race Marine, and Occano.

"The company is guided by the people behind the products" - Dennis Backteman

According to Dennis, much of the success of Stadium has been enabled due to the Stadiums own line of brands which has been highly successful. Stadium strives for a product assortment that is made up by half of their own line of brands, and half exclusive brands. Dennis says that this balance has been Stadium's philosophy as long as he can recall. It is the high sales margin from the own line of product brands that allow for Stadium to cope with the low margins from exclusive brands, such as Peak Performance, Nike and Adidas.

"The price we set, it is the first thing we do" - Dennis Backteman

Dennis, Bo or Victor do not exclusively state that Stadium is working with target costing, but much evidence point to the fact that this is the case. A first suggestion is that they

continuously seek out new customers, material and trends to keep up with the market. They also scan their competitors to get an overview of the market pricing. This is considered the market-driven costing of the target costing process (Copper & Slagmulder, 1999). For target costing to be effective, the process must be highly disciplined. The market-driven cost is critical in the target costing process because it sets the allowable cost. Dennis explains that when they are about to develop a new product the first thing they do is to set the price. This statement from Dennis makes it evident that target costing is present. Furthermore, this statement suggests product-level target costing (Copper & Slagmulder, 1999), because they mainly focus on the product to achieve the targeted cost.

"Detail specification when developing the product" - Dennis Backteman

Stadium works with close supervision throughout the entire stage of development. Dennis says that his role as Head of Research and Development entitles him to travel to Asia several times a year, visiting the different production plants. In addition, Stadium has an employee stationed in Hong Kong, who explicitly works with supervising the production plants (Dennis). This close supervision, both from Dennis himself, and the employee stationed in Hong Kong, suggest that there is a continuous dialogue on component-level, between the product designer and the supplier. Even though Bo is not as involved in the product and purchasing process anymore, he occasionally travels to Asia to look at the production of their products. This close and constant monitoring of the products is in line with the importance of obtaining a disciplined process of target costing (Copper & Slagmulder, 1999).

Even though much focus, in many cases, is put towards developing products within the boundary of an established price, Stadium do not spare on quality and functionality. This is in line with the words of Copper and Slagmulder (1999), and Copper and Chew (1996). An example of this is Stadium's own development of a waterproof fabric membrane, named TCS, which was developed to compete with the recognized GoreTex. This is an example in line with the words of Gagne and Discena (1995), who state that product innovation is key in order to stay competitive. Dennis explains that using GoreTex as part of their products was expensive, and was always in the way of creating price competitive products. As a response to this, Stadium developed TCS, which has the exact same function, and is in Dennis opinion even better than GoreTex. This new material enabled Stadium to sell high quality and

functional jackets to a low price. From talking to Dennis it became evident that the concept of target costing permeates the whole purchasing process within Stadium.

4.5 Summary of Empirical Findings and Weighted Framework

The proposed theoretical framework will in this section illustrate the results from the analysis of the empirical findings from the case company. The analysis point to the fact that there are evidence, historical and recent, of both incremental and radical innovation taking place at Stadium. However, much innovation is of radical character, as such, a driving force in the success of Stadium. In terms of where in the organisation the ideas emerge from, the findings point much towards autonomous strategic action. Furthermore, the findings suggest that Stadium advocate the idea of autonomous strategic actions. Nevertheless, this does not exclude the fact that ideas can come from other parts of the organisation.

The different types and locus of innovation influence the type of MCSs pursued at Stadium. In the analysis it is evident that all of the components in the *MCS package for the study of Stadium* (figure 5) are present, in one way or another. For example both budgets and financial measurements are important in Stadium, which is due to the fact that Stadium is an actor within a fears industry characterized with very low margins. However, it is evident that the presence of clan, value-based and symbol-based controls are of even greater importance in the *MCS package for the study of Stadium.* Further it is evident that emphasis is put on the value-based controls as the main driver within the cultural controls. Additionally, the use of target costing is also evident, and the analysis suggests that it is the main driver of the cybernetic controls. Conclusively, target costing and value-based controls are highlighted as the controls acting as major drivers to control innovation at Stadium, resulting in *The MCS package for Stadium* (figure 6).

Figure 6: The MCS package for Stadium
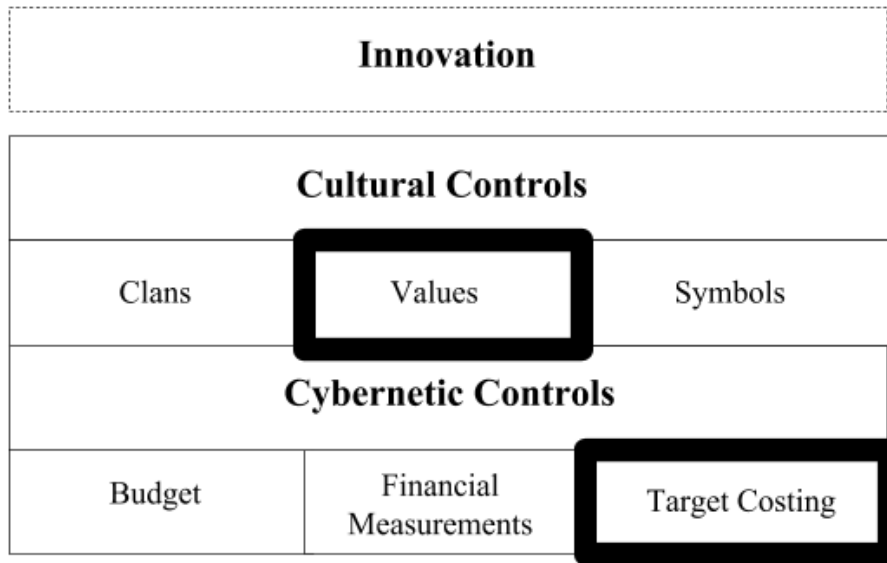
The MCS Package for Stadium

5.Discussion

5.1 Strategic Concepts for Innovation in Stadium

Considering the history of Stadium, and all the strategic decision taken over the years, the categorizing of Stadium within Davila's typology was sprawling. Firstly, the innovation strategy, in regards to the development of business concepts, was different from the strategy in relation to product development. In terms of the developing of the business concepts, Stadium leans towards the radical innovation of Davila's typology. This is due to the fact that radical thinking has been present throughout the lifespan of the organisation, and many recent decisions have been of radical character. This is in line with what Davila (2005) refers to as redefining the future strategy. Even though Stadium in some cases touches upon the characteristics of incremental change, it is evident that radical changes are dominant. This radical innovation has played a crucial role in Stadium's success story, and has likely been the reason why they have managed to be the market leader for over 30 years. However, what needs to be kept in mind is that radical innovation is synonymous with high risk, something that could be devastating if not controlled in a suitable way.

Regarding the locus of innovation, there is a mix. Notably, there is a flow of ideas and decisions emerging both from top-management, and the day-to-day actions performed by the employees (Davila, 2005). However, it is evident that the part that Davila (2005) refers to as autonomous strategic actions is desirable. This is due to the presence of cultural controls, notably value-based controls, which create an atmosphere where innovation is accentuated and can thrive on all hierarchical levels.

However, what is remarkable is the difference of the locus of innovation looking back in time. In the initial years, the locus was more towards a top-management idea generation, something that enabled quick decisions and the possibility to take advantage of movements in the market, leading to a fast growth. The brother's presence has notably declined over the last years. A reason for this could be the fact that they have built a strong corporate culture where they feel comfortable leaving the company in the hands of the employees.

5.2 The MCS Package in Stadium

By looking at Stadium through the eyes of Malmi and Brown's (2008) MCS as a package, it is evident that some parts have played, and plays, a significantly larger role in an aspect of control and innovation. When it comes to Stadium it is about creating a new future, creating new combinations that have not been seen in the traditional way of doing business. It is a story that is characterized by a true entrepreneurship, risk taking and about hard and passionate work. What Stadium stands for today has its origins in the restlessness, impatience, curiosity and a great deal of the brother's competition and winning mentality. These are attributes that today constitutes the core values of Stadium and plays a significant role in the construction of the MCS package.

The cultural controls are evident on the basis that the energetic, curious and competitive personal traits of both Ulf and Bo have been synonymous with the values and drive that can be seen within Stadium. Even if their involvement in Stadium has decreased in recent years, they are still involved in many of the more significant business decisions, and can by their presence still act as culture bearers. Nevertheless, there will eventually come a time when the Eklöf brothers no longer have the ability to be present. For this reason it could be argued whether the corporate culture is sufficiently incorporated to still emphasize the drive for improvements and innovation that is needed to succeed in the industry. As of 2015, Karl Eklöf, acts as the CEO, and this can possibly be a step in the right direction to enable the

"Eklöf-culture" to stay present in the organisation. Emphasize has been put on to make employees associate themselves with the *Stadiumandan*, and efforts has been put in to recruit the right people with the right mindset. For this reason, the authors believe that the value-based controls can remain an asset and make the culture linger in the years to come. Additionally, the long-term partnership that was introduced with Ikano in 2005 can also be seen as a way of preserving the culture and the core values that they share.

Throughout the last 30 years, the cybernetic controls at Stadium have had various degree of relevance. Going back to the initial years of Stadium the use of budgets was seen as constraining development and the innovative work. As of today, both budgets and financial measurement systems play an active role in the MCS package, not only to mitigate the risk of losses, but also to ensure that the company has the financial strength to focus on innovative products and concepts.

Moreover, the interviews conducted at Stadium commonly indicate that several of the parts described in the MCS package did not have any effect on the MCS in the context of innovation. On the basis that the interviewees did not explicitly mention anything in line with these parts, nor did the authors interpret the information in such a way, the authors come to the conclusion that Planning, Reward & Compensation, and Administrative controls do not take part in Stadiums MCS package to support innovation.

By taking the aforementioned discussion in consideration, the authors have proposed a modification of the original framework of MCS as a package. In line with Moll (2015) and Malmi and Brown (2008), the authors of this study follow the same line of thoughts when it comes to the function of each part of the package. Instead of looking at the entirety of individual control system in a holistic view, the control system is better analyzed as a package of systems. Malmi and Brown (2008) emphasize that the different parts do not necessarily have a static relationship with each other, but rather works loosely together. This means that the difficulty for the management lays in the understanding of the combined effect of the different parts. For this reason, the authors of this study do not consider it to be purposeful to focus on all of the parts proposed in the framework by Malmi and Brown (2008), rather the opposite. Based on the empirical data gathered in this study, the authors highlight that emphasize rather should be put towards the parts that actually serve to support MC in a context of innovation. To explicate, the authors conclude that a package is necessary (Moll,

2015; Malmi & Brown, 2008). Conclusively, the intention is not to tear the package apart, but instead taper off the original package by putting a focus on the most imperative controls when it comes to the support of innovation. As identified, in the case of Stadium, the cultural and cybernetic controls have shown to be the most prominent controls.

5.3 Target Costing in Stadium

Even though Stadium does not explicitly state that they are working with the concept of target costing, it is evident that it exists. The reason why Stadium does not explicitly pronounce the use of target costing might be due to a fear of being associated with a low-price sports retail chain, or simply due to the fact that they are not familiar with the concept . However, target costing is evident, and is by all means used as a tool to support innovation.

One of the reasons for why they started to develop their own line of brands was because they had a clear idea of what price segment they wanted to offer. Based on this they had a clear understanding of what the targeted selling price had to be. To reach this goal their only option was to embrace the concept of innovation, hence design and develop their own type of clothes. In order to assure a certain targeted selling price, and still reach the desired margin they were forced to set a target cost on every component.

Furthermore, based on the fact that one of Stadium's core values, stated in the *Stadiumandan,* is *price consciousness,* the cost aspect plays a central role in the business model. The price consciousness is aimed at permeating the corporate culture, not only by targeting the costs from the suppliers, but also by offering the customers products of reasonable prices. Nevertheless, target costing and value-based controls are equally highlighted in *the MCS package for Stadium* (figure 6).

6.Conclusion

6.1 Summary of Findings

In this section the authors refer back to the initial research question, with the intention to summarize the findings in regards to the purpose.

- How is the Management Control System Package used to support innovation in the sports retail industry?

Based on Davila's (2005) typology, this study finds that innovation of both incremental and radical character is present in the case of Stadium. Nevertheless, the radical innovation is dominant. It is evident that radical actions have acted as a driver for the predominant success of Stadium, both historically and in recent times. In terms of the locus of innovation (Davila, 2005), there is certainly a mixture of where the ideas come from. However, Stadium embrace the emergence of ideas from the day-to-day actions, hence this is the dominant locus of innovation.

The type of strategy and locus of innovation is further supported by different MCSs. What can be seen in the case of Stadium is that these MCSs do not work in isolation, rather as a package. In *the MCS package for Stadium* (figure 6), it is evident that the cultural and cybernetic control tools has an active role in the support of innovation. Furthermore, the cultural controls, namely the value-based controls, are of great importance. This is due to its ability to encourage the employees to work in a way that constantly enhance innovation and development.

The cybernetic controls include two of the original components of Malmi and Brown's (2008) MCS as a package, budgets and financial measurements. Additionally, this study come to the conclusion that the concept of target costing is an eminent component incorporated in the cybernetic controls. Conclusively, the tools in the cybernetic controls, together with the cultural controls, constitute a package used to support innovation in the sports retail industry.

6.2 Contribution

This study contributes to the field of research regarding MCS and innovation, a field which Pfister (2014) states requires much attention to find the optimal MCS conditions for innovation. In line with the research that Pfister (2014) called for, this study further contributes to the field of MCS to enhance creative and innovative performance in specific contexts. It also adds to Chenhall and Moers (2015) proposal on further research on how MCS can assist in generating an appropriate response to "needs" for innovation, and the implementation of these ideas to gain a competitive advantage. Additionally, this study adds to Bisbe and Otley (2004) research where MCSs is seen as beneficial in managing innovation, oppose to constraining.

Furthermore, the study contributes to previous research on MCS as a package, as opposed to individual control systems (Malmi & Brown, 2008; Moll, 2015; Chenhall & Moers, 2015). Malmi & Brown (2008) state that organisations have a variety of different controls, and that there has been efforts to describe the arrangement of these controls. They further call upon the need to experiment with various components of the package. This statement raises the question of which organisational controls that actually are part of the MCS package (Chenhall & Moers, 2015). By conducting a case study the authors of this study has filled the research gap by making a contextual contribution on the aforementioned previous research. This study highlights that emphasize should be put towards the parts of the package where the control systems actually serve to support innovation. The intention is not to tear apart the original package, but to taper of, focusing on the essential controls in supporting innovation. The proposed MCS package has been reconfigured to avoid MCSs working loosely together without management being aware of its combined effects (Malmi & Brown, 2008).

Furthermore, the use and impact of target costing has been studied beforehand where researchers have been looking at innovation in practice (Malmi & Brown, 2008). However, target costing as part of a broader package has not gained considerable attention from researchers. Therefore, this study fills the research gap by looking at target costing as a cybernetic control tool as a part in a broader package to support innovation.

This study has added to the fact that various MCSs as part of the package are of divergent significance. Conclusively, this study contributes with a robust MCS package, which evidently manages different type of strategy and locus of innovation (Davila, 2005).

6.3 Limitations and Further Research

Considering the results and contributions of this study, it must be acknowledged that there are limitations. Firstly, there is a complexity surrounding culture. Culture is interpreted very differently among people, hence the role of the cultural controls in this study is further discussable. Another limitation is the fact that certain parts of the package have had more attention than others, and that parts of the package has been removed. As such, raising the issue on which organisational controls that actually should be classified as essential parts of the package (Chenhall & Moers, 2015). In line with this, research can be done in regards to focusing on other parts of the package.

Furthermore, a limitation is the fact that the study is based on a single-case study, which restricts the empirical data, thus limiting the reliability of the findings. As such, further research on this topic could be done by conducting a multiple-case study. This would increase the empirical generalization, thus increasing the reliability. It would also be of interest to study and compare various industries. Moreover, only certain theories and concepts which fit in the context of MCS and innovation have been used in this study. Research could be conducted on theories such as Ambidexterity (March, 1991) and Levers of Controls (Simons, 1995).

Another limitation is the limited number of interview objects. This has led to a lack of data, which has most likely affected the significance of the findings. If the study had included more interview objects of different position from the case company, the findings would arguably have been different. However, the purpose of this study entails a need to be selective, hence narrow down the number of interview object in order to interview suitable people.

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