Redesign of Management Control Systems Following Change in Value Emphasis in Family-owned Firms

A case study in a privately held horticultural family firm

by

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Abstract

Title:	Redesign of Management Control Systems Following Change in Value Emphasis in Family-owned Firms
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Authors:	Louise Willine Rikkoert & Sven Schindler
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Five keywords:	Family Systems Theory; Management Control System (MCS); Family Firm; Structural Change; Value Orientation
Purpose:	The overall purpose of the thesis is to gather deeper insights into the redesign of MCSs following a shift in value emphasis in family-owned firms by exploring the different dynamics of the family business system (FBS). Furthermore, the research has aimed to find an answer to how a shift from family management to external management influence the value emphasis, and how this shift influence the management control system of a family-owned firm.
Methodology:	We have conducted a single case study in a Dutch, privately held horticultural family firm by conducting semi-structured interviews.
Theoretical perspective:	The combination of Malmi and Brown's (2008) MCS as a package typology with the systematic view of value orientations in FBSs by Distelberg and Sorenson (2009) has led to the development of a framework that enables the analysis of management controls in family firms that differ in their value emphases.
Empirical foundation:	The empirical findings have been derived foremost from semi-structured interviews. Some additional data has been derived from documents of the case company
Conclusion:	This thesis has shown that the change in governance structure has led to a change in value emphasis within a family-owned firm. The findings indicate that this shift in value emphasis has influenced the overall usage of the MCS.

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1. Introduction

1.1. Background

Family firms are the most common organisational form worldwide and are responsible for generating a significant part of gross domestic product by employing millions of people and driving economic development (International Family Enterprise Research Academy (IFERA), 2003). Extensive research has shown that family firms have unique characteristics e.g. under-diversified ownership, longer investment horizons of the family members compared to other shareholders, and active involvement of the family of the firms' business system (Carney, Essen, Gedajlovic & Heugens, 2015; Chen, 2014; Gomez-meija, Cruz, Berrone & De Castro 2011; Songini, Gnan & Malmi, 2013). The family has its own dynamics which forms a fundamental entity for creating and sustaining entrepreneurial behaviour (Cramton, 1993; Rogoff & Heck, 2003; Sharma, 2004; Stafford, Duncan, Dane & Winter, 1999).

Drawing from Tagiuri and Davis's (1996) definition a family firm is defined as follows: *"A family company is one whose ownership is controlled by a single family and where two or more family members significantly influence the direction and policies of the business, through their management positions, ownership rights, or family roles."* (Davis, 2018, p. 5). Adherent to Tagiuri and Davis's definition is the Three-Circle Model of the Family Business System (FBS). The members of family firms exist in the realm of three overlapping social systems, namely the family system, business system, and ownership system (Figure 1). The model provides a perspective on the family firms' distinctive characteristics. What Tagiuri and Davis (1996) describe as Bivalent Attributes serves in understanding the source of family firms' advantages and disadvantages. For instance, the family members can exist in all three systems and take over simultaneous roles as relatives, owners, and managers (Tagiuri & Davis, 1996). Worth acknowledging is that not only relatives related by blood, marriage, or adoption can be part of the family system, but also anyone sharing the same common values, goals, resources, and commitment to the family (Distelberg & Sorenson, 2009). In that sense, the business system is shaped by individuals that share the same common values, goals, resources, and commitment to the business. The main interest of both systems is to support the growth and development of their own. In contrast, since the ownership system cannot develop on its own, its role is to mediate the overlaps and further balance the values, goals, and resources of the family system with the values, goals, and resources of the business system (Distelberg & Sorenson, 2009).

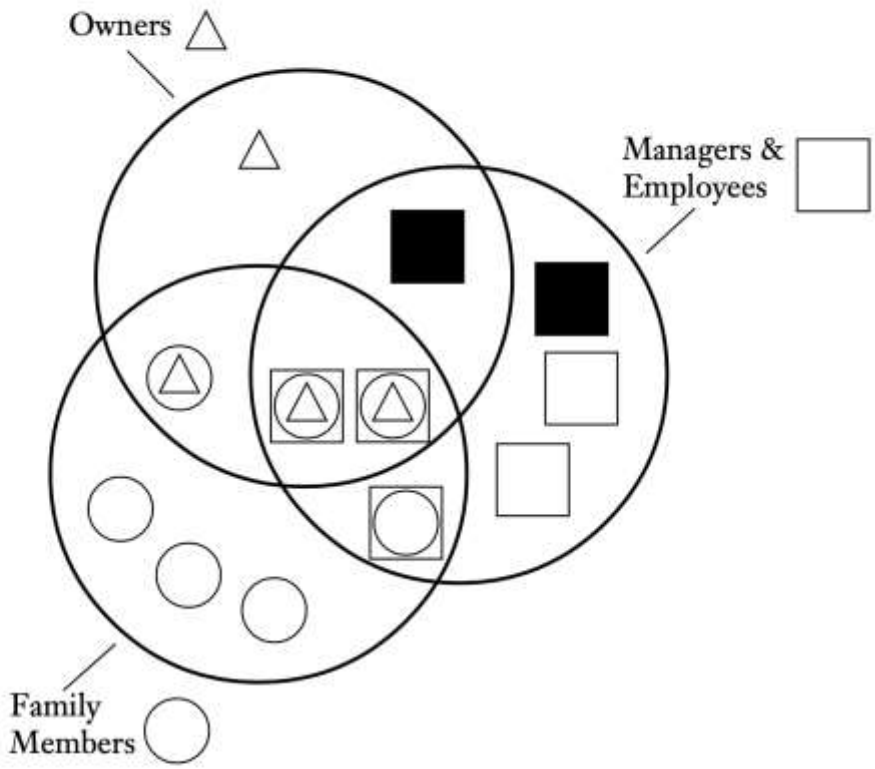


Figure 1:The Three-Circle Model (Tagiuri & Davis, 1996, p. 200)

Several researchers have explored Tagiuri and Davis's (1996) system theory of family firms and used it as a foundation for their own research (Carter & McGoldrick, 1999; Distelberg & Sorenson, 2009; Gersick, Lansberg, Desjardins & Dunn, 1999; Sharma & Nordqvist, 2008; Stafford et al., 1999). For example, Gersick et al. (1999) were one of the first to enhance the initial model by adding the element of evolutionary transitions of a family firm which creates the opportunity to analyse the FBS over a period of time. Furthermore, the utility of the model for evaluating the FBS has been extended by using interdisciplinary theories, for instance, Sharma and Nordqvist (2008) who have drawn upon the stakeholder theory. Distelberg and Sorenson (2009) present a more systematic view on the influence of values, goals, resource transfers, and adaptability, as they argue that these factors are deeply nested within the FBS and determine the way of conducting business. At length, these dynamics shape the overall management control system (MCS) of the family firm (Speckbacher & Wentges, 2012). For this report MCSs are defined as follows: *"all the devices or systems managers use to ensure that the behaviors and decisions of their employees are consistent with the organization's objectives and strategies"* (Merchant & Van der Stede, 2012, p. 6 cited in Haustein, Luther & Schuster, 2014).

The past thirty years have seen increasingly rapid advances in the field of management control practices. The focus has shifted from a formal control approach and traditional accounting performance metrics to a bigger emphasis on the enabling use of MCSs by including external and non-financial information, and social controls (Ittner & Lacker, 2003; Ahrens & Chapman, 2004). Malmi and Brown (2008) have reviewed and synthesised these almost four decades of MCS research (e.g., Chenhall, 2003; Fisher, 1995, 1998; Flamholtz et al., 1985; Langfield-Smith, 1997; Otley, 1980; Simons, 1995) into one broad conceptual framework. Investigating management controls as a package has emerged through Malmi and Brown's (2008) MCSs as a package framework. The strength of analysing MCSs as a package lies in its broad scope in that it enables to catch practices managers use to both formally and informally direct employee behaviour as well as it includes forms of control that have received limited attention in existing research (Malmi & Brown, 2008).

When organisations transition into a different state, the internal structures and systems require significant alterations (Hackamn, 1984). Family firms are no exemption to this phenomenon, as each phase of the family firm's life cycle follows a different usage of control mechanisms (Moores & Mula, 2000). Transitions of organisational stages are the most critical and strenuous periods of a family firm e.g., a succession of the founder due to retirement or death (Gersick et al. 1999). During the transition period, there are several possibilities in which family firms can seek control, ranging from informal management control mechanisms towards advanced formal mechanisms (Moores & Mula, 2000). The suitable adjustments to the MCS depend on the FBS which further differ per family firm (Distelberg & Sorenson, 2009).

1.2. Problematisation

A considerable number of management control studies have focused on the types and outcomes of the choice of the MCS, however limited studies have made a distinction between family and non-family firms concerning this domain (Helsen, Lybaert, Steijvers, Orens & Dekker, 2017). Research regarding family firms can be considered a relatively young field of research since it has only spurred significant interest in the 1990s which then developed into a more comprehensive and interdisciplinary area of study (Sharma, 2004). Existing family firm literature focuses mostly on issues in corporate governance, the agency conflict, and succession (Helsen et al., 2017). There is extensive evidence within the family firm literature that family firms differ conceptually and quantitatively from non-family firms (Gomez-meija et al., 2011). However, little agreement remains on to what extent the family's influence impacts the behaviour and performance of the firm. To date, only a limited number of studies have made an intersection between family firms and MCSs (Prencipe, Bar-yosef & Dekker, 2014). Moreover, the impact of the family's influence on management accounting and control topics has received limited attention within the family firm literature (Songini et al., 2013; Helsen et al., 2017). Nonetheless, family firms have distinct features that influence the choice of MCS, indicating that the results of these management control studies regarding non-family firms can not be generalised within the context of family firms (Tagiuri & Davis, 1996).

Deviating from the concept of Bivalent Attributes, one distinctive feature is the allocation of roles in that the roles within family firms can often be blurry and overlap. In fact, in most cases, the family members take over simultaneous roles as relatives, owners, and within top management. As a relative one's primary concern is the well-being of the family, while for the owner the viability of the firm, and operational effectiveness as a manager, might cause the greatest concern (Tagiuri & Davis, 1996). The shared identity among the family members and the linkage of the identity to the company creates emotional involvement and ambivalence (Tagiuri & Davis, 1996). One cause is that the owners and managers of family-controlled companies tend to find it challenging to open up for the influence and involvement of people outside the immediate family circle (Tagiuri & Davis, 1996). Consequently, family firms often lack the needed objectivity and suffer from poor discipline (Tagiuri & Davis, 1996).

Distelberg and Sorenson (2009) extend this view by adding a scale based on the value continuum differentiating between a family-first and business-first emphasis as well as family-depleting or business-depleting, resulting in the identification of five different FBSs (Figure 2). For instance, the continuum value of the family-first emphasis focuses on the health and the development of the family system which can be at the cost of the business system; and vice versa the business-first emphasis focuses on the health and the development of the business system which can result in depleting the family system.

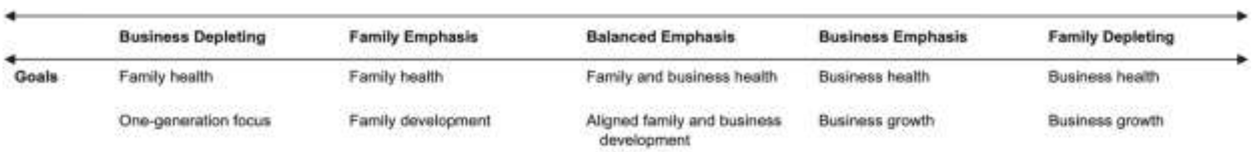


Figure 2:Continuum of Value Emphases in FBSs simplified (Distelberg & Sorenson, 2009, p. 73)

During the sourcing process for a family firm, we come upon a family firm that has undergone a structural shift by replacing the family-owner CEO with management outside the immediate family circle and hence has undergone a shift in its strategy. The strategic process and the MCS are a crucial part of the organisational context since the role of management controls will change as the strategy changes (Davila, 2005). Allowing external management into the close family circle is a critical moment in the lifetime of a family firm. However, little is known about the implications of these changes to the governance structure on the MCS of a family firm. For instance, due to their high ownership and low diversification, the MCS can either be positively or negatively influenced by the family dynamics. (Tagiuri & Davis, 1996; Cheng, 2014). The simultaneous roles and overlaps in social systems can lead to moments of conflicting interests in which the company needs can get sacrificed for the family's interests (Tagiuri & Davis, 1996). In moments of conflicting interests, members of the system can retreat into whatever role gives them the greatest power (Tagiuri & Davis, 1996).

When conflicting interests threaten the viability of the firm, prioritising the firm's needs over the family' interests becomes an indispensable task. For instance, non-relatives are less likely to retreat into non-business roles and maintain the needed objectivity to make crucial decisions in defining moments (Tagiuri & Davis, 1996). Studies that make use of the systematic view of the FBS often encompass the idea that effectively managing both the family and the business, ultimately determines the success or failure of the firm since the Bivalent Attributes can only be managed rather than eliminated (Tagiuri & Davis, 1996; Distelberg & Sorenson, 2009).

1.3. Purpose

The overall purpose of our thesis is to gather deeper insights into the redesign of MCSs following a shift in value emphasis in family-owned firms by exploring the different dynamics of the FBS and the drivers related to the family system. Exploring the family part of the FBS and the dynamics within the system will help in understanding the key differences in governance and management control. It can be value-adding to the family firm literature by gathering deeper insights regarding the alternated parts of the MCS of a family firm throughout a given timeframe. Furthermore, understanding what did and did not change, the prioritisation of certain controls, as well as the duration of these changes to the MCS, can be valuable to both the family firm literature and the management of family firms in practice. Therefore, we intend to reveal existing linkages between the family business system and the management control system.

Besides, by studying the structural shift of the case company we aim to identify differing values and goals and map out the use of MCS and the prioritisation of certain management controls in a family-owned firm. Moreover, our study further aims to gather deeper insights into the choice of management controls in family firms and in particular, as we propose, differentiating aspects of management controls after a family firm has opened up for external influence by hiring external management. More precisely, with our study of the case company, we address the following research questions:

How does the shift from family management to external management influence the value emphasis? And, *how does this shift influence the management control system of a family-owned firm?*

1.4. Outline

In the following Methodology section, our chosen research approach and design of the case study is discussed. Followed by Theoretical background, we have drawn from relevant literature to establish the research framework and asresulting in underlying propositions. Subsequently, the findings are presented in relation to the research framework in the Empirical Findings section.. In the Discussion section, the made propositions are brought forward and implications for research are given. Thereafter, suggestions for further research are given based on the reflection of the study's limitations. To conclude, our key findings are summarised with implications for practice.

2. Methodology

2.1. Research Design

Our research question focuses on the implications of structural change within the management of one family firm specifically on the value emphasis and MCS. Qualitative studies in family firms within the accounting domain remain limited, yet many research questions emerging from existing literature call for a qualitative research approach (e.g., Cheng, 2014; Salvato & Moores, 2010). Furthermore, case studies regarding family firms remain limited, while collectively such studies could generate valuable insights concerning governance, operations, succession (Cheng, 2014), and management control. A case study is especially appropriate since our research question focuses on getting deeper insights into how a certain management accounting phenomenon occurs and unfolds over time (Yin, 2014). Our research purpose intends on creating an in-depth meaning and interpretation of the choice of management controls in family firms after a management shift. Therefore, a qualitative field study is required to capture the meaning of specific aspects of this phenomenon (Salvato & Moores, 2010). Qualitative field research is especially suitable for our thesis since management accounting practices are often characterised by highly context-specific interpretations and to identify the meaning of the use of management accounting (Ahrens & Chapman, 2006). According to Ahrens and Chapman (2006), qualitative field research is not just an empirical practice, but should also be seen as an in-depth theoretical practice. The theoretical characteristic of qualitative field research is due to the required constant reflection on the data and the relevant theories in order to contribute and develop the research problem even further. By the development of propositions, we aspire to contribute to existing theory.

By investigating the structural shift of our case company, insights can be drawn from an ex-ante state, where the business is managed by the family, through the opening up for external influence and employing external management in the ex-post state. The analysis of this structural shift can be considered as an examination of a historical event. The possibility to manipulate the relevant behaviour for our thesis is eliminated since our case company has undergone this shift a few years ago. Given that our thesis focuses on a historical event without manipulation of the relevant behaviours, it strengthens the motivation to use a case study as a research method according to Yin's (2014) preferred criteria. Research questions focusing on "how" and "why" prefer the use of a case study to discover linkages that need to be traced over time (Yin, 2014).

Furthermore, the use of Tagiuri and Davis' (1996) Three-Circle model is motivated by the fact that it has met with widespread acceptance and that it is both theoretically elegant and immediately applicable (Gersick et al., 1999). The model supports the understanding of the source of interpersonal conflicts, role dilemmas, priorities, and boundaries in family firms (Gersick et al., 1999). The breaking down of complex interactions and specifying the different roles and subsystems (Gersick et al., 1999) within the family firm aids in portraying the how and why of the situation. Additionally, for our research, we apply the systematic view of the FBS by Distelberg and Sorenson (2009) to further extend the social systems with valuable elements based on the interactions of individuals between group-level systems. This lens allows for a broad definition of the FBS while minimising the confusion that happens in typologies (Distelberg & Sorenson, 2009).

2.2. Case selection

The selection of a suitable case firm for this study is based on several criteria relating to the research question. Given that this thesis will focus on an in-depth analysis of a family firm, it is key to have a clear understanding of the definition of a family firm. We have used the family firm definition of Tagiuri and Davis (1996) as a base for our research which is as follows: *"A family company is one whose ownership is controlled by a single family and where two or more family members significantly influence the direction and policies of the business, through their management positions, ownership rights, or family roles."* (Davis, 2018, p. 5).. This definition will be used for classifying the case company as a family firm, however, concerning the research question, it is also necessary that there has been a significant structural shift that has led to an adaptation of the MCS. In order to properly examine the implications of this structural shift on the MCS, it is essential that this has happened several years ago. Furthermore, given the limited research of family firms (Carney et al., 2015), it would be more value-added to the family firm literature to analyse a family firm rather than a listed family firm. In summary, the case company has been selected based on the following criteria:

- The majority of shares are owned by the family.
- At least two family members have a significant influence on decision-making and management control through their management position, ownership, or family role.
- The family firm has a staff headcount within the range of 50-250.

The last criterion has been chosen as a means to limit the realm of possibilities and further, as we argue, medium-sized firms are more interesting than their smaller and larger counterparts for the following reason: small- and medium-sized enterprises (SMEs) are the most common form of organisation in Europe (European Commission, 2021) and worldwide. However, medium-sized enterprises suit our cause better due to the two following reasons: we assume that medium-sized companies use MCSs which are more complex in their nature and structural change is more prevalent in medium-sized enterprises compared to small-sized enterprises.

2.3. Development of propositions

With our explanatory research, we intend to contribute to the existing literature by exploring links between the family firm literature and MCS literature and the formulation of propositions thereof. The development of propositions has further guided the collection and analysis of the data (Yin, 2014). The propositions have been developed through reflection on and on the family firm literature in relation to management control, and Distelberg and Sorenson's (2009) continuum of value emphases in connection to Malmi and Brown's (2008) MCSs as a package framework.

2.4. Data collection

In order to get a fitting theoretical foundation for the case study, a literature review regarding the family firm and MCS literature has been carried out. The relevant literature has been retrieved via the LUSEM library webpage, specifically EBSCOhost and Google Scholar as search engines. The selected method for data collection has been interviews in the form of video calls mainly due to geographical distance. Whereby, video calls replicate the experience and enable in-depth analysis closest to face-to-face interviews. Initial contact with the CFO of the firm has been established mainly to gather an overview of the case and to guarantee access to the planned interviews. The interviews have followed a semi-structured manner with a preconstructed set of questions based on the propositions that leave enough room for follow-up questions where necessary. Due to the time restrictions of the family-owner, a questionnaire with open-ended questions has been handed out. Prior to the interviews, the interviewees have been given a determined set of questions to inform the interviewees about expectations and enable preparation ahead of the interview. We have chosen to interview the top management in order to map out the characteristics of the MCS, as well as the changes regarding the MCS that have been made since the external management is active. Furthermore, by interviewing at least one of the family-owners we try to understand the dynamics within the family and the firm and investigate probable differentiating values and goals in the MCS. Unfortunately, the family-owner who has been the former CEO of the firm is not part of the business anymore, therefore cannot be reached for an interview. Besides the management and the family-owner, we have interviewed the controller of the firm and two other employees in lower management, which will help us in achieving the most objective point of view possible. Besides the interviews, primary data will be collected from company documents e.g., mission and vision statement, business report, etc. in order to get a better understanding of the influence of the managerial shift on the MCS of the case company. The primary data will be complemented by a selection of relevant family firm and MCS literature.

2.5. Data analysis

The interviews have been held in English and have been recorded via Microsoft Teams, thereby Otter.ai, an artificial intelligence software has been used to transcribe the spoken words into written text. The transcripts have been analysed by the two authors to map out underlying themes in relation to the established Theoretical background. The propositions have aided in the decoding of themes. The key findings are consolidated and presented in Empirical findings. Yet, direct quotes will be used when the literal content fits the purpose of demonstration. Data triangulation has been used to increase the validity of the findings (Verhoeven, 2011), which further enhances the confidence in the accuracy of the findings (Bell, Bryman & Harley, 2019). The relevant data has been gathered via two different data collection methods, namely interviews and content analysis of company documents. The interviews and content analysis have been executed by two researchers collaboratively which enhances the investigator triangulation (Bell et al., 2019). Furthermore, data triangulation is implemented in our research by involving multiple participants leading to the inclusion of different perspectives on the influence of structural change on the MCS of the case company.

2.6. Research limitations

Our work faces similar challenges and limitations prevalent in single case studies. For one, although structural change and the following redesign of MCS is quite a common phenomenon in family firms and non-family firms, the generalisability of the results of our case study can be questioned (Yin, 2014). On the other hand, we do believe that our research findings fulfil the quality criteria in business research in that they are valid, reliable, and replicable (Bell, Bryman & Harley, 2019). Due to the historical component of the case study, concern exists if the results are free of bias. While we have striven to achieve a high level of rigour (Yin, 2014) and the highest level of objectivity throughout the case study, the challenge of biasedness remains due to the nature of the case study. Following Yin's (2014) recommendations for case study research, the propositions and a data collection plan have been established prior to the interviews in order to meet the right level of control over the environment. In addition, we have collected and discussed our data based on our framework and propositions which gives a clear scope for our research, however it has the implication that everything outside this scope might be ignored. Furthermore, we were not able to conduct the research physically at the case company due to the ongoing COVID-19 pandemic. Therefore, the research findings are limited by the truthfulness of the interviewees.

3. Theoretical background

The first goal of the following section is to establish a clear view of the drivers related to the value orientations of FBSs. Thereafter, MCSs are introduced followed by the choice of MCS typology for this research. At length, the research framework is established and underlying propositions are made based on the family firm literature regarding management control.

3.1. Continuum of value orientation

Distelberg and Sorenson (2009) extend the current system theory regarding family firms by identifying five different types of FBS: business-depleting, family-emphasis, balanced-emphasis, business-emphasis, and family-depleting. The authors argue that in order to understand the health of a family firm, one must first understand the differences between the values, goals and resource transfers of each FBS. The values, goals, resources transfers, as well as the strengths and limitations, are identified for each FBS and visualised in one model: the continuum of value emphases in family business systems (Appendix A). The value continuum is displayed on the top of the model with on the left side the family-first orientations towards a more balanced orientation in the centre and the business-first orientations on the right side.

3.1.1. Family-first emphasis

The focus of an FBS with a family-first value orientation is on the health of the family system while moving resources from the business to the family system. Distelberg and Sorenson (2009) distinguish two different types of FBSs with a family-first emphasis, namely family-emphasis and business-depleting. When this is at the cost of the overall health of the business system, this is considered a business-depleting FBS (Distelberg & Sorenson, 2009). The resources of the business and family system are used to support the family goals which can lead to a decline of business resources. This implies that a business-depleting FBS favours the development of the family system, but lacks the ambition to develop the business system. Therefore, a business-depleting FBS often has a one-generation view. The family-emphasis FBS also values family health over business health, however not at the cost of the business system. The family-emphasis FBS mostly differs from the business-depleting FBS by having the need to develop the business in order to sustain for further generations. Based on this reasoning, the family to business resource flow is rather seen as an investment that will provide the family with resources in the future (Distelberg & Sorenson, 2009).

3.1.2. Business-first emphasis

In contrast to a family-first orientation, an FBS with a business-first orientation is focused on the health of the business and has a resource flow from the family to the business system. The business-first orientation is distinguished in two types: family-depleting and business-emphasis (Distelberg & Sorenson, 2009). A family-depleting FBS moves resources to the business system at the cost of the family system. When a family-depleting FBS depletes the family system while the business system is growing fast, it can have implications regarding succession or even destroy the entire family system. As an illustration, the family members might not be willing to take over the firm since they do not value maintaining the business system anymore resulting in selling the firm (Distelberg & Sorenson, 2009). When an FBS is considered to have a business emphasis, issues related to succession are less likely due to the resource transfer not being at the cost of the family system (Distelberg & Sorenson, 2009). The ownership system is an important component within business-first FBSs since it creates and maintains boundaries between the family and business system. These boundaries should maintain the level of resources to the family, but they should not be too strict. Otherwise, the boundaries could lead to conflicts between the business and the family system. When this is the case, the FBS will move more towards the business-depleting side of the value continuum (Distelberg & Sorenson, 2009).

3.1.3. Balanced emphasis

A balanced-emphasis FBS gives the family system the same value as the business system by aligning the development of both systems. According to Distelberg and Sorenson (2009) when an FBS has a greater focus on a balanced orientation, the more likely differentiation and collaboration lead to better interactions within the systems and adaptability across the systems. Differentiation in this model implies the capacity of individuals to not immediately respond to internal and external pressures by thinking and reflecting. If differentiation is implemented within a system, each system understands the costs and benefits of the relationship and recognises the importance of this collaboration (Distelberg & Sorenson, 2009).

3.2. Management control systems

Considering the most commonly used MCS frameworks (Haustein et al., 2014), a suitable research framework will grasp control techniques ranging from formal to informal as well as controls that are both direct and indirect in their interactions with employees. In order to respond to the consensus on the heterogeneity of family firms (e.g., Dekker, Lybaert, Steijvers, Depaire & Mercken, 2013; Gersick et al., 1999; Sharma, 2004; Sharma & Nordqvist, 2008) the research purpose demands a relatively broad spectrum that catches a wide scope of management controls and organisational factors.

Drawing on the contingency theory, an universally applicable MCS does not exist, thus the choice of controls further depends on the contextual factors surrounding the organisation (Otley, 1999). In the context of family firms, certain types of controls are expected to be more implicitly installed whereas the application of Malmi and Brown's (2008) control package approach seems rather supporting in the investigation. According to Malmi and Brown (2008), their broad typology of MCSs eliminates the risk that some types of controls go unnoticed. Along with the contingency theory approach, a broader perspective on the firm's MCS will enable the identification of controls that are specific to the nature of the family firm. Moreover, the control package approach avoids focusing on and investigating management controls in isolation, which is according to Helsen et al. (2017) prevalent in family firm research that further leads to false conclusions. By concluding that family firms add another dimension to the business, namely that of the family itself, important implications on the choice and use of MCS might arise from the investigation of management controls in combination and in particular their interactions.

3.3. Management control system as a package

Malmi and Brown's (2008) conceptual typology of an MCS package identifies five different types of controls: cultural, planning, cybernetic, reward and compensation, and administrative controls (Figure 3)**.**

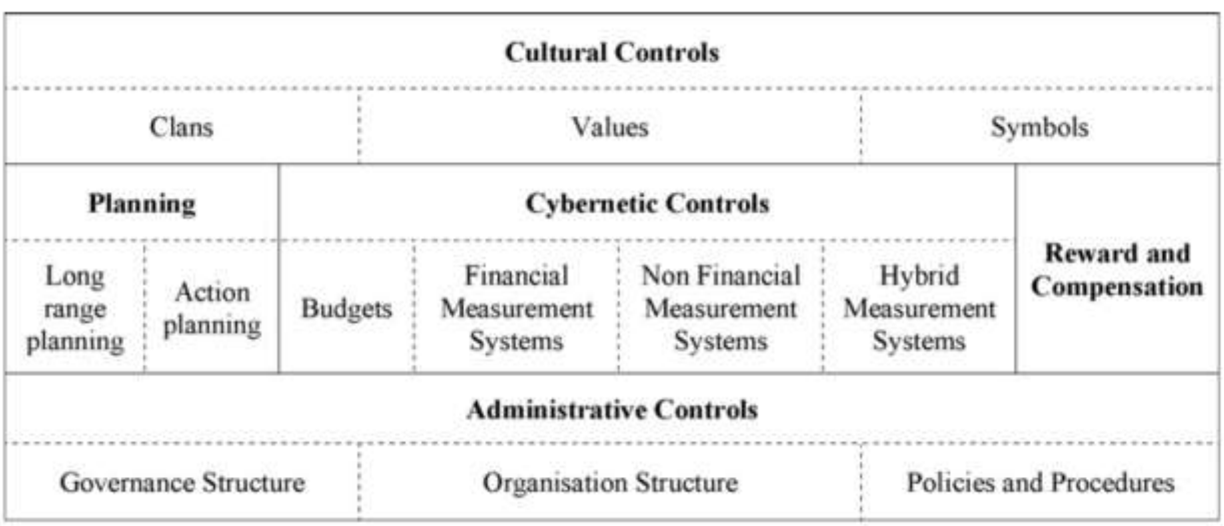


Figure 3: Management control systems as a package (Malmi & Brown, 2008, p. 291)

3.3.1. Cultural controls

Cultural controls involve the values, beliefs and social norms that are nested within the business system which influence employees' behaviour. Malmi and Brown (2008) use three different types of cultural controls within their typology, namely: value-based, symbol-based, and clan controls. The authors describe value-based controls as Simons' (1994 & 1995) belief system originating from the levers of control framework. Belief systems are *"formal systems used by top managers to define, communicate, and reinforce the basic values, purpose, and direction for the organization."* (Simons, 1994, p. 170). In other words, value-based controls can be seen as an expression of beliefs from the management and can be formally described in documents such as mission and vision statements. The recruitment of individuals with matching values, the redirecting of employees values to organisation values, and employees behaving accordingly to the organisation's values are implications of the impact of values on behaviour. Symbol-based controls are on the other hand a more visible form of cultural control. The company culture can be expressed through cultural controls such as physical aspects of architecture and dress codes (Schein, 1997). Finally, the last cultural control Malmi and Brown (2008) classify are clan controls which were originally introduced by Ouchi (1979). Clan controls originate from the concept of subcultures within organisations. Clans exist in close-knit groups based on traditions rather than legal forms of authority (Moores & Mula, 2000). The idea behind clan control is that shared values shape the behaviours within an organisation and employees who act accordingly are considered to be part of the clan (Kirsch et al., 2010). Clan controls establish shared values, norm of reciprocity and legitimate authority through traditions of the clan. Traditions are of implicit nature, reflecting a unified vision among the members on how the business should operate (Moores & Mula, 2000). Clan controls need to be looked at in separation from values and symbols since they are not fully controllable by firms (Haustein et al., 2014). Therefore, they are often not looked on favourably (Ouchi, 1979).

3.3.2. Planning controls

The purpose of planning controls is firstly to direct endeavour and behaviour by defining the goals of functional areas within the organisation. On the other hand, it also sets standards regarding the achievement of the defined goals by clarifying the expected endeavour and behaviour of employees. Consequently, the alignment of goals between functional areas within the organisation enables coordination resulting in the controlling effect of individuals and groups on organisational performance (Malmi & Brown, 2008). The planning controls include two different approaches identified by Boyds (1991): action planning with a tactical focus and long-range planning with a strategic focus. Malmi and Brown (2008) stress that the function of planning is either to support decision making on which activities the company will engage in the future or increase employees' commitment to these goals and plans.

3.3.3. Cybernetic controls

The model draws upon the characteristics of cybernetic controls as classified by Green and Welsh (1988). Cybernetic control can be considered a quantitative measure of business activities that sets standards for performance within an organisation. It involves the process of feedback which enables a comparison between the set standards and the resulting performance. Based on these outcomes, cybernetic controls create the ability to modify employees' behaviour. A cybernetic system is often associated with an information system or a control system within an organisation. However, Malmi and Brown (2008) argue that by linking behaviour with targets and creating a sense of accountability for organisational performance, a cybernetic system goes beyond an information and control system to an MCS. Typically there are four types of cybernetic systems: budgets, financial measures, non-financial measures, and hybrid forms including both financial and non-financial measures. Traditionally budgeting forms the foundation of MCS and a commonly used control measure is to hold employees accountable for financial measures, however, Malmi and Brown (2008) point out that non-financial measures gradually increase in importance within organisations.

3.3.4. Reward and compensation systems

The purpose of a reward and compensation system is to motivate and increase the performance of employees by linking rewards with their effort and performance. By linking effort with the task it can control effort direction, effort duration and effort intensity of employees (Bonner and Sprinkle, 2002). Malmi and Brown (2008) consider reward and compensation systems as separate systems within their typology. The authors argue that rewards and compensation do not necessarily have to be linked to cybernetic control since companies provide rewards and compensation for other reasons such as strengthening cultural controls and retaining employees.

3.3.5. Administrative controls

Administrative controls focus on directing employee behaviour through the organisational structure, monitoring of employees behaviour and making them accountable, and the documentation of how processes are intended to be performed (Malmi & Brown, 2008). Based on this focus Malmi and Brown (2008) classify three types of administrative controls: organisation design and structure, governance and procedures, and policies. Organisational design can be used to control certain types of interactions and relationships within an organisation. Flamholtz (1983) adds to this by suggesting that organisational structure can be used as a control measure to reduce diversification and in turn increase predictability. Furthermore, governance can be used as a control mechanism to ensure adequate coordination of organisational activities on a horizontal and vertical level (Malmi & Brown, 2008). Lastly, policies and procedures can be used as a bureaucratic control (Ouchi, 1979) to shape employees behaviour and processes within an organisation (Malmi & Brown, 2008).

3.4. Management control system as a package in family firms

The dynamics of the FBS shape the overall MCS of the corresponding family firm (Speckbacher & Wentges, 2012). Further, the FBS tends to change accordingly when the family firm transitions into a different phase within the firm's life cycle (Moores & Mula, 2000). These considerations lead to a connection that can be drawn between the MCS and the family firm literature, specifically between Malmi and Brown's (2008) typology of an MCS and Distelberg and Sorenson's (2009) holistic view of the systems theory in family firms. When the family firm changes the underlying value continuum of the FBS, the firm will transition into a different FBS which often requires a different usage of management controls. The combining of Malmi and Brown's (2008) MCS package approach with Distelberg and Sorenson's (2009) value continuum orientations leads to a broad perspective on the MCS for each variation of value continuum emphases in the FBSs. These aspects can be incorporated into one visual model (Figure 4). The top of the chart represents the value continuum classification of Distelberg and Sorenson (2009), with on the left the family-first emphases, on the right the business-first emphases and in the centre the balanced emphasis. The left column shows the five types of controls of Malmi and Brown's (2008) typology. The combination of the two frameworks implies that the usage of controls differs based on the value continuum within the FBS which further leads to the following general proposition:

Proposition 1: The management control system differs based on the continuum of value emphases across family business systems.

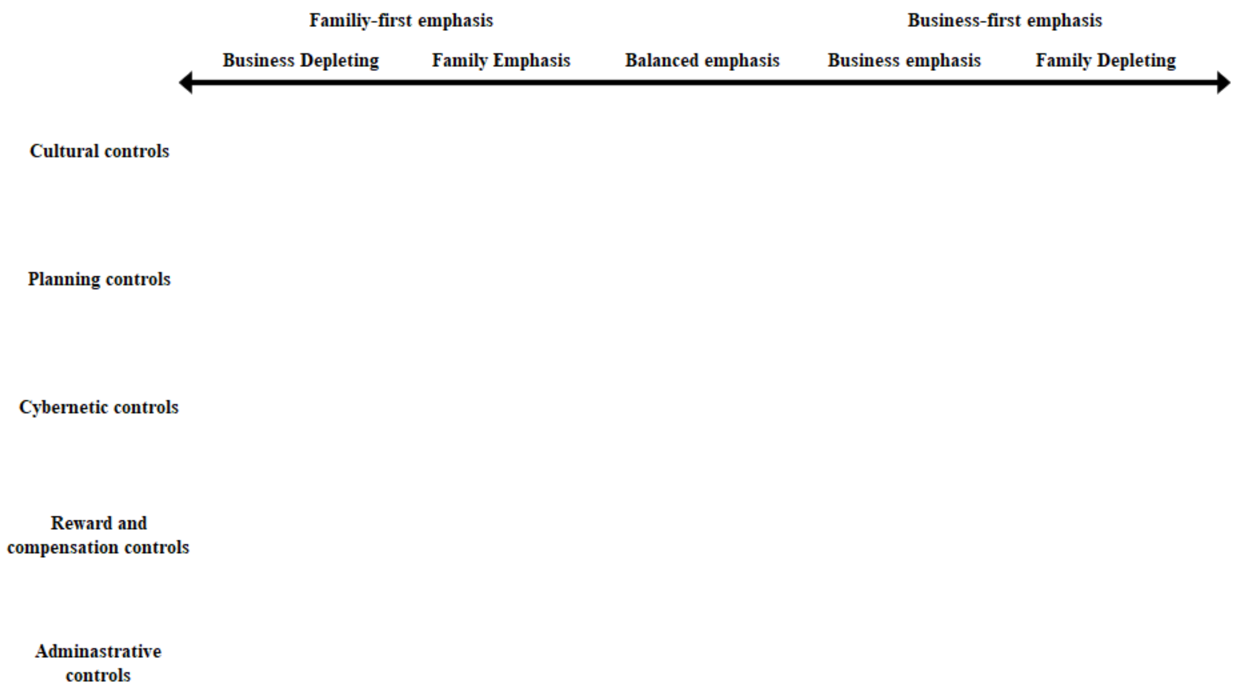


Figure 4: Management control system as a package in relation to the value continuum within family business systems

3.4.1. Cultural controls in the family business system

In general, empirical studies indicate that cultural controls become more formalised within family firms when they transition into a new life-cycle stage (Moores & Mula, 2000), and the greater the shared vision is among the family-owners, the greater is the dedication within the family firm (Mustakallio, Autio & Zahra, 2002). Furthermore, FBSs accommodate nested group-level systems with each system incorporating its own values (Distelberg & Sorenson, 2009). The authors argue that a healthy FBS balances and reflects the values of all three systems which in turn results in the FBS's own set of values. Distelberg and Sorenson (2009) propose that values in the FBS vary across family firms, ranging from either emphasising the family system's health and development, the business system's health and development, or an emphasis on balancing the two. In practice, family firms share many features that are distinct to clans (Moores & Mula, 2000) in that high levels of control are applied informally. Similarly, family firms share a strong sense of community where social agreement exists on a wide range of values and beliefs (Moores & Mula, 2000). Communication between management and employees mostly exists in informal realms (Moores & Mula, 2000). In that sense, the behaviour of members of the FBS is dictated by common beliefs and united in their homogeneity in purpose (Moores & Mula, 2000).

While family firms commonly enjoy high commitment from their members, the biggest threat to social cohesion is a change to their clan-like structure (Moores & Mula, 2000). Especially change stemming from the timing of succession transitions raises uncertainty and threatens the effectiveness of clan controls (Moores & Mula, 2000). Therefore, it is even more crucial that family members are aware of their symbolic importance as they essentially carry the family firm's culture (Hall & Nordqvist, 2008). To a great extent, the firm's culture is the result of the founder's values and norms which is deeply rooted in the family and its history (Hall & Nordqvist, 2008). Values and norms are transmitted over generations and manifest themselves in a rather stable firm culture (Berger & Luckmann, 1966; Hall & Nordqvist, 2008). A lack of formalisation contributes to the integration of family values into the business through socialisation (Hall & Nordqvist, 2008). In that sense, managers should look past their judgement on "correct" or "appropriate" levels of formalisation, especially in family firms that can make use of that lack and create effective informal levels of control (McCollom, 1988).

Proposition 2: Cultural controls are more informal in family-first emphasis family business systems compared to more formal cultural controls in business-first emphasis family business systems.

3.4.2. Planning controls in the family business system

The overall goal of an FBS is just like another system to strive for the continuation and development of individuals and the family firm (Distelberg & Sorenson, 2009). In general, family firms tend to use less formal short- and long-term planning (Jorissen, Laveren, Martens & Reheul, 2005). In addition, the financial goals of family firms have a long-term focus rather than a short-term (Anderson, Mansi & Reeb, 2003) which influences strategic decision-making (Craig & Moores, 2005). Distelberg and Sorenson (2009) argue based on the system theory that goals within the FBS are directly related to values. Therefore, the goals of a certain FBS differ based on the value emphasis (Distelberg & Sorenson, 2009) and thereby directing preferred behaviour and commitment (Malmi & Brown, 2008). When an FBS is driven by a family-first value orientation, the focus of the goals will be in general on the health of the family system. When this is at the cost of the business system, the FBS is considered as a business-depleting FBS. Typically the goals of a business-depleting FBS have a one-generation focus on the health of the family system. According to Distelberg & Sorenson (2009), the succession rate of such an FBS is low since the goals are to use the business system as a resource base while the value of business growth is minimised. However, a family-first emphasis does not necessarily mean that this will deplete the business system. In contrast to the business-depleting FBS, the family-emphasis FBS has the need to keep the business healthy and growing since it sees the business as a long-term resource base to sustain multiple generations (Castillo & Wakefield, 2007).

On the other hand, an FBS that has a business-first emphasis typically has goals focussed on the growth and health of the business system. Similar to the family-first emphasis, the business-first FBS also has two counterparts: business-emphasis and family-depleting. FBSs who are family-depleting are more likely to deplete the family system resources to support business system growth. In extreme situations, this could result in destroying the family system which in turn challenges the formulation of the succession plan. In contrast, the business-emphasis FBS has goals aimed at maintaining the resources for the family and a multiple-generation focus. Finally, an FBS with a balanced orientation typically has goals that are focused on family and business health by aligning both systems values with each other (Distelberg & Sorenson (2009).

Proposition 3: The family business system chooses goals on the basis of its overall value orientation.

3.4.3. Cybernetic controls in the family business system

In general, family firms tend to use less financial and non-financial performance measures than non-family firms (Jorissen et al. 2005; Speckbacher and Wentges, 2012). Speckbacher and Wentges (2012) found that smaller family firms tend to have less formalised performance measurements since the governance factor of family involvement loses its importance in larger family firms. The authors argue that the reliance on informal performance measures does not have to imply lower performance or effectiveness. Helsen et al. (2017) argue that this relationship depends on other factors such as the classification of the firm and the behaviour of managers. The measurement is much more complex within a family system due to the existence of different goals and values within the FBS (Chrisman, Chua, Kellermanns & Chang, 2005). In addition, Distelberg and Sorenson (2009) found that the current family firm literature typically only uses measurements related to the business system such as return on assets, sales growth, profit, number of employees and survival rate. Therefore the authors argue that performance measures should be related to the overall FBS. A family-first FBS should link their performance measurement to the growth and development of the family system and on the other hand, business-first FBSs performance measurement should be linked towards the health and growth of the business system. Drawing upon the findings of Speckbacher and Wentges' (2012) empirical research regarding the usage of performance measures, it can be argued that an FBS with a family-first orientation is more likely to have a lower usage of formal performance mechanism given the presence of family influence on governance. Furthermore, the performance measurement within a balanced-emphasis FBS is more likely to be aligned with both the family and business system (Distelberg & Sorenson (2009). Differentiation and collaboration among systems encourage formalisation (Distelberg & Sorenson, 2009), which could imply that a balanced-emphasis FBS is likely to have a formal performance measurement mechanism.

Proposition 4: Family business systems with a family-first emphasis use less (formal) performance measures than family business systems with a business-first emphasis.

3.4.4. Reward and compensation systems in the family business system

Research indicates that the usage of reward and compensation systems for employees is in general lower within family firms compared to non-family firms (Jorissen et al., 2005; Bartholomeusz & Tanewski, 2006; Speckbacher & Wentges, 2012; Michiels, Voordeckers, Lybaert & Steijvers, 2013). Speckbacher and Wentges (2012) add to this by suggesting that performance-related pay mechanisms are used to a lesser extent when the family influence is stronger within the firm. Several empirical studies support this by suggesting that the compensation of CEOs of family firms tends to be less related to performance in comparison to CEOs of non-family firms (Bartholomeusz & Tanewski, 2006; Michiels et al., 2013). Michiels et al. (2013) emphasise that the compensation behaviour can not be generalised for all family firms and found that this differs based on the type of ownership and management configurations. The author found evidence that family firms CEOs compensation is more responsive to performance when there is a low ownership dispersion or in the controlling-owner stage. Regarding the compensation and reward system for employees, family firms tend to base this on seniority and emphasise non-monetary rewards to a greater extent (Gomez-Meija et al., 2011). Rewarding the performance of family employees merely based on their blood ties instead of competencies can imply a biased compensation system towards family members and reducing the use of formal controls (Helsen et al., 2017).

Furthermore, there is a discrepancy between the compensation and rewards of family CEOs and non-family CEOs within a family firm (McConaughy, 2000). Non-family CEOs within family firms tend to receive higher compensation and greater rewards for performance than family CEOs. Non-family CEOs tend to be more sensitive to pay-performance since they lack the incentives family CEOs have (McConaughy, 2000), such as contributing to the harmony within the family and supporting the health of the family system (Gomez-Meija et al., 2011). This is in line with Distelberg and Sorenson's (2009) argumentation that *"the FBS value orientations influence choice and use of resources within the FBS"* (p. 71). This situation can be considered as a trade-off between family time and business performance. A business-first emphasis FBS would prefer a lower-paid family member in order to support business performance. A family-first emphasis FBS on the other hand would only consider this if it will provide family resources in the future (Distelberg & Sorenson, 2009).

Proposition 5: The usage of (formal) compensation and reward mechanisms is lower when a family business system has a family-first emphasis in comparison to a business-first emphasis.

3.4.5. Administrative controls in the family business system

Formalisation by the means of administrative controls aid in the alignment of values and goals across all three systems. Within the family system that could mean establishing formal family meetings to develop collaborative documents e.g., a family constitution or a succession plan (Distelberg & Sorenson, 2009). The business system could benefit from establishing formal decision practices, the specification of job positions and job descriptions, and the creation of hiring policies (Distelberg & Sorenson, 2009). Last, within the ownership system, formalisation could cover the scheduling of regular shareholder meetings and board meetings (Distelberg & Sorenson, 2009). All of these formal processes allow the subsystems to further identify and express their values and goals (Distelberg & Sorenson, 2009). As each FBS is characterised by differing values and goals (Distelberg & Sorenson, 2009), formalisation constitutes an important step in the alignment thereof and in the development of a healthy FBS (Gersick et al., 1999). Furthermore, formal controls support resource transfers for achieving goals through coordination within and across the family and business system (Distelberg & Sorenson, 2009).

On the contrary, a lack of administrative controls, such as monitoring, gives members the incentive to prioritise their own interests over the FBS's interests (Anderson & Reeb, 2003; Audretsch, Hülsbeck & Lehmann, 2013; Astrachan & Jaskiewicz, 2008; Morck, Shleifer & Vishny, 1988; Villalonga & Amit, 2006). Audretsch et al. (2013) argue that family members should restrain from filling executive positions in top management for various reasons that can be summarised in their risk aversion e.g., due to the obsession with the longevity of their business (Audretsch et al., 2013). Therefore, the authors suggest that family members are better suited to take over administrative roles in monitoring and act as opposition to limit the risks taken by external management (Audretsch et al., 2013). However, small and non-complex firms are excluded from the proposition to separate monitoring and management functions (Audretsch et al., 2013; Fama & Jensen, 1983).

Proposition 6: Family business systems with a family-first emphasis use less formal administrative controls than family business systems with a business-first emphasis.

3.4.6. Redesign of management control systems in the family business system

When organisations grow, develop, and mature, change to their internal structure is often necessary. Noteworthy is that organisations often follow similar forms of controls distinct to the strategic and structural features of that particular stage of development (Moores & Mula, 2000). Aligning with the definition of MCS used for this report, management controls support goal congruence to attain preset goals and objectives following an overall strategy (Moores & Mula, 2000). However, some forms of controls are easier to adjust accordingly to the underlying strategy than others. As aforementioned, clan controls can be very effective forms of controls, especially in family firms that lack a certain level of formalisation and professionalisation. Since shared beliefs and values are typically acquired slowly over time clan controls require stability of membership. Thus, they are threatened to lose their potency when a drastic change to internal structures occur (Moores & Mula, 2000). This leads firms to often view clans as a hindrance stemming from an internal resistance towards change.

On the other hand, Distelberg and Sorenson (2009) argue that clan controls can also support change depending on the openness and cohesion of the existing culture. For instance, what the authors describe as the ability of the FBS to adapt, thereby changing the continuum of value emphases, stems from the inherent social systems' flexibility. If the inherent social systems are able to recognise and acknowledge another system's values, goals, and needs, the system is able to adapt (Distelberg & Sorenson, 2009). Flexibility and the ability to adapt lend organisations the capability to withstand environmental pressures and uncertainty (Ackoff, 1977; Eppink, 1978). In other words: *"Adaptation is a necessary process for the growth and progressive integration of living systems"* (Bubolz & Sontag, 1993, p. 433, cited in Distelberg & Sorenson, 2009).

Proposition 7: Cultural controls are gradually developed over time and are deeply nested within the FBS which makes them inert to change.

Accordingly, as organisations develop, informal controls start to give way to more formal procedures and management practices (Moores & Mula, 2000). Due to their increasing complexity, firms will need higher internal formalisation and professionalisation which are expressed in explicit rules, and procedures (Moores & Mula, 2000). The more formal structures are used to provide more formal performance evaluations (Moores & Mula, 2000), and cybernetic systems likely increase in their usage of tools and measures. Increased professionalisation is often characterised by more sophisticated management practices that drive on incentive mechanisms tied to individual performances (Moores & Mula, 2000). Professionalisation is explained in the differences in training and values between family management and external professional management (Dyer, 1989). Therefore, professionalisation requires the family system to be open for professional management outside the immediate family system which often results in a change from family-first FBS to a balanced emphasis or business-first emphasis (Distelberg & Sorenson, 2009). While professionalisation encompasses a change in norms and values, it requires the FBS to be adaptable (Dyer, 1989; Distelberg & Sorenson, 2009).

Proposition 8: Administrative controls, planning controls, cybernetic controls, and reward and compensation systems exist in interdependence with the FBS's value orientation which makes them more responsive to change, meaning that a change in one encourages the other to change accordingly.

4. Empirical findings

4.1. Case setting

The case company is a Dutch privately owned family firm that operates in the horticulture industry with two distinct business lines: one focusing on the growing and selling of plants and flowers to large retailers; the other focusing on growing and selling vegetables e.g. tomatoes and peppers to larger cultivators. Both business lines are seasonal labour with the plant and flower business peaking in the first half of the year and vegetables in the second half of the year. The firm has an annual turnover of EUR 15 - 20 million and has employed approximately thirty permanent workers and up to seventy temporary workers depending on the season. The currently involved family consists of two family members who are holding all the shares within the firm. The family has a formal administrative function, while the day-to-day management is formed by a general director (in-service) and a hired CFO (undersigned). The firm has undergone a structural shift in 2015 by making adjustments to the shareholder structure, the management team, improving returns, and making various expansion investments. This shift has further led to adaptations regarding the MCS of the firm.

The case company was founded by the father of the family together with two of his sons and his brother in 1999. When the father retired he had chosen one of the sons to become his successor. Due to a conflict of interests between the son and the other family members and a perceived lack of managerial skills, the company has found itself in a poor financial and strategic position. This has led the other family members to the decision to hire external management, create a new business plan and turn the company to profitability. Since the son did not agree with the new business plan the other family members and the new management had seen themselves forced to lay-off the son.

The new management team has put more focus on single activities with very detailed planning and management control. The focus is now more on customer satisfaction however, there is a constant trade-off between quality and quantity in order to grow. Therefore, the company has started a collaboration with another family firm within the industry to share resources in peak times and respond to higher demands. The company has greatly improved its financial and strategic position. Current challenges are to further grow along with the growth of customers. The business is capital intensive to grow which increases the importance of efficiency and partnerships. The company is one out of around twelve other companies in the industry in the Netherlands. The following Table 1 presents some background information about the interviewees.

Table 1: Background information about the interviewees

Interviewee	**Position**	**Communication**	**Duration**	**Academic and practical background**	**Employment period**
Interviewee A	CEO	Video call	60 minutes	Bachelor degree in Management, Economics and Law.	Started as supply chain manager in the case company 13.5 yr. ago. CEO for 5 yr.
Interviewee B	CFO	Video call	60 minutes	Master degree in Business Economics. Previous experience as consultant, trader, and entrepreneur.	CFO in the case company for 6 yr.
Interviewee C	Family-owner	Email	n/a	Degree from the secondary horticulture school. Non-executive board member in the case company.	Founding member. Has worked in the case company for 22 yr.
Interviewee D	Sales manager	Video Call	30 minutes	Degree from secondary horticulture school. Experience in sales for 40 yr.	Has worked in the case company for 9 yr.

Interviewee E	Production manager	Video Call	30 minutes	Horticulture degree from post-secondary vocational education.	Experience as team leader and works in production in the case company for 12 yr.
Interviewee F	Controller	Video call	60 minutes	Bachelor degree in Business Economics.	In the lead of financial administration, budgeting and planning and control at the case company for 12 yr.

4.2. Value emphasis of the case company

When the interviewees got asked questions regarding the current value emphasis within the firm, they responded that they still feel the presence of the family values. However, the interviewees mentioned that they experienced a different emphasis on values even though the existing family values are similar to the ones before the reorganisation. Interviewee C described this as follows: *"Family values were always there but were not always aligned. The interest of the company is now on number one again as it should be."* The interviewees shared that after reorganisation the family culture is even more present than before. Interviewee F explained that the increased presence of family culture is due to more peace, calmness, and clearness within the company. Even managers who were not part of the family showed emotional attachment to the company, for example, interviewee A mentioned that it has been a sad period looking back at the reorganisation. However, interviewee A added that the reorganisation period was needed since the family company did not share one vision anymore which has also been the reason why everything went wrong. Furthermore, interviewee C now experiences a more balanced emphasis by mentioning: *"on improving the strategic and financial position is of mutual interest of the family and the management."* On the other hand, interviewee A expressed to have a more business-first emphasis by mentioning the following:

> *"I'm here for the organisation and not for the family members. So, the problems between them … and that's in some situations, a little bit difficult for me to start five years ago, that was my mindset, and I never gave up on that."*

4.3. Reward and compensation systems in the case company

In general, the employees are compensated with base salaries and benefits such as a company car and mobile phones. Interviewee D valued the timely payment of the salaries since it is not self-evident within the horticultural business. Additionally, the employees also receive non-monetary rewards such as Christmas gifts and small performance celebrations with cake or sausage rolls. Twice a year a company party is organised for all the employees to show appreciation to the employees. The temporary employees are also included to convey that the performance is achieved by working together. In addition, the temporary employees who stand out get the opportunity to receive extra education to become permanent employees.

> *"We don't work with them [temporary employees] all year, but when they are here, they're important to us, and we are important to them. So let's work together. ... We have some people [former temporary employees] from mainly Poland who are fixed employees at the moment. They are mostly people who stood out in the crowd and we give them extra education in Dutch. ... We get you fixed contracts." - Interviewee B*

Furthermore, during the interviews, it became apparent that the case company has a reward and compensation system in place in the form of a bonus scheme for all permanent employees. The bonus scheme differs between the management team and employees. The bonus system for the management team is linked with the financial performance of the case company, namely the realised versus budgeted EBITDA. The management team gets rewarded as a group with a bonus that differs between zero and two months additional salary. The other fixed employees can receive a bonus which differs between € 0 and € 1.000. This can be higher when the employee displays exceptional performance such as growth in competence, increased responsibility, and output. Before the reorganisation there has also been a bonus scheme in place, however, this has not been aligned with the goals and performance of the case company according to interviewees A, B, D and E. Interviewee B illustrated this by saying: *"In the past, the former CEO would divide and conquer, so he would give you 100 euros and he gives you 110 euros. And nobody would understand why."* Interviewee A added to this that even when the case company had no financial profit, the bonuses were still being paid and differed among the managers. Interviewee D and E described the situation as the ones who *"shouted the most"* received the most recognition and compensation, in contrast interviewees D and E experience the current bonus system as more objective.

4.4. Cybernetic controls in the case company

One of the most prominent cybernetic systems within the case company is the usage of budgeting. During almost all the interviews it has been touched upon that a budget gets created annually by the financial management and gets further approved by the whole management team. Based on the newly created budget, targets are set regarding, for instance sales, production, energy usage, and purchasing. In addition, the management team receives a yearly and quarterly report and targets are getting adjusted based on the outcomes. During the weekly management team meeting, the weekly performance will be monitored and discussed. Furthermore, the executive board receives a monthly financial report that is reviewed with the controller and investigated whether targets are met. According to interviewee F, it is of no great importance when performance targets are not met, but rather the importance lays on *"why"* and *"learning"*. The annual report also gets reviewed by the shareholders and functions as a controlling mechanism of the management team, however, there is a lot of freedom regarding the creation of budgets and setting targets. According to interviewee A this *"gives you a lot of trust which is the big difference between five years ago."*

Other key cybernetic systems are financial measures and non-financial measures. In general, the most relevant financial performance measures for the case company are turnover, contribution margin, EBITDA, liquidity, and the cash cycle. The formal measurement of non-financial performance focuses on efficiency, sick leave, and sustainability-related for example waste and energy. Everything that is related to production is documented within the ERP system since this is of great importance for planning within the fluctuating horticulture industry. Sustainability is measured by keeping track of climate control in order to have the right combination of sustainable energy and gas. Furthermore, the measurement of sustainability is also relevant for the maintenance of certain certifications according to interviewee A. There are also informal measurement systems in place regarding non-financial measurements, such as customer satisfaction and employee satisfaction. Interviewee B and D mentioned that they receive direct customer feedback within the vegetable branch. The measurement of customer satisfaction of the flower branch is more formal by keeping track of the scraping rates and letting an intern conduct customer satisfaction research every two years.

Furthermore, the monitoring and measurement of employee performance is often an informal everyday observation. When an employee appears to be careless or unmotivated, the employee gets pulled aside for a chat with the supervisor. Yearly there are meetings with the employees and the supervisor in which the job performance and competence development will be discussed. During this meeting, a report about the employee's tasks and requirements will be discussed and from which targets will be set.

> *"We have the core four values, and we add them to the job profile, and we have to be specific competencies for performing that function. And on both. We are evaluating with scores and they can give themselves a score on the competence between one or five. We discuss what they can improve, ... and maybe even a follow up with study courses." - Interviewee A*

Interviewee B highlighted that this discussion can be seen as an open conversation with a greater focus on employee satisfaction rather than a formal assessment of performance. Before the reorganisation, the former HR manager, who is the wife of the former CEO, was in control of the employee's performance feedback. However, according to interviewee B, the HR manager was not qualified enough for the job and the employees did not feel comfortable enough sharing issues with her.

> *"What I understood is that the wife of the CEO was the human resource manager. The only one who thought she was qualified, was she, herself, and the rest of the organisation said okay we have to go to her because he [former CEO] says so." - Interviewee B*

The most important key performance measures differ slightly per interviewee based on their current job position within the case company. In general measurements of energy, labour, EBITDA and efficiency are considered to be of greater importance. However, during the interviews, it appeared that financial performance has greater importance than non-financial performance. For instance, interviewee A mentioned that "*Non-financial measures are not important, are not really talked about. Targets are set for financial performance. Every decision has to be linked to* *revenue."* Interviewee B illustrated the greater importance of financial performance by highlighting: *"If the family shareholder arrives at the building, it is always about EBITDA."* Furthermore, during the interviews, it has become apparent that the measurement of performance did not differ much compared to the situation before the reorganisation, however, the interviewees indicated that there has been a shift in focus of the performance. Before the reorganisation, the only focus has been on revenue and when the financial results started to look poor, monitoring of the cash cycle has also become relevant. After the reorganisation, the case company has focused on the measurement of EBITDA and enhanced the importance of monitoring liquidity.

4.5. Planning controls in the case company

Based on the mission statement of the case company the current mission is to build long-lasting relationships with customers by being a reliable and flexible partner in providing qualitative vegetables and flowers to all customers through every season. The case company does this by continuously innovating and collaborating with partners to strengthen its market position. Interviewee C adds on to this by phrasing their strategy as: *"Building lasting relationships with customers, continuously improving efficiency and better buying power through partnerships, sound financial position makes additional investments possible."* Furthermore, the overall strategy is specified for each of the two business lines. The flower branch focuses on operational excellence by serving large retail companies directly and indirectly. On the other hand, the vegetable branch focuses on customer intimacy by serving small- to midsize customers who are involved in the continuous conversation about the quality of the plants.

Before the reorganisation, the former strategy rather focused on diversification and revenue growth. Interviewee A and B phrased it as that the former CEO strived to become the *"biggest plant cultivator"* within the Netherlands, however, there has been no specialisation, not enough capacity, issues regarding planning, and emotional tensions within the company. Furthermore, there has been no clear focus and no goal congruence between the former CEO, the family, and the personnel, for example, interviewee B mentioned that *"there was not one strategic plan, but there were three."* This conflict in interest has led not only to tensions between the family, but also between the personnel and the former CEO, for instance, interviewee A mentioned to *"disagree in a lot of points, especially on no focus or strategy, or I was constantly in conflict with him (former*

CEO).” In addition, all interviewees pointed out that there has not been a formulation of the strategy. The interviewees addressed that the overall goal of the strategy has not been clear since *“the whole picture”* of the strategy has not been communicated by the former CEO.

Currently, the management team as a whole is involved in the strategy formulation and the budget development for the board. All the interviewed management team members experience that they do this now as “*one team”*. The family members are still involved within the company, but now function more in the background as shareholders. The family members still check in seven days a week for an hour to stay updated about matters within the company. Interviewee B phrased their current position within the company as follows: “*They are not on the driver’s side, but on the passenger’s side.”* Interviewee B highlighted that freedom in the formulation of planning, strategy, and budgets create a sense of trust by the family members. Furthermore, the present strategy has been formulated about 5 years ago, however, it gets continuously modified by the management team by assessing the strengths, weaknesses, opportunities, and threats. The adjusted strategy is communicated to the shareholders and the management. Twice a year there is a strategy update with the fixed employees about performance, general challenges, and strategic outlook. The temporary employees are not involved in these meetings since they are not involved within the business for the long term. Currently, a bottom-up approach is applied for planning, rather than the previous top-down approach. The interviewees experience that the communication goes both ways, compared to one way before. Interviewees D and E experience that decisions are not based on ad-hoc planning anymore but based on structured planning.

When the interviewees have been asked how the strategy has changed, they all mentioned that the focus of the strategy is much clearer with better goal congruence. Interviewee D has described it as *“seeing the horizon”* of not only the current strategy but also regarding their financial position. The focus is now on gradual growth, profitability, flexibility, quality, and efficiency. Interviewee C has experienced greater internal communication and transparency within the company. However, there appears to be a difference of view on the focus between interviewees A, B and C when they have been asked whether the overall strategy has a long- or short-term focus. Interviewee A has mentioned:

"I think that's really impossible [having a long-term focus]. ... you have to be manoeuvrable as an organization because the world is changing very fast. I think the long term for me is in two or three years."

This is in contrast to the answers of interviewees B and C who have indicated that the current strategy has a long-term focus. Interviewee B emphasised that family businesses are always focused on the long term since the earned money will be reinvested in the business.

"Family Business is always long term. For example, the money we earn each year is reinvested in the company. And it's not spent on the wealth of the family, but it's all long-term focus." - Interviewee B

"Long term focus on improving the strategic and financial position is of mutual interest of the family and the management." - Interviewee C

4.6. Administrative controls in the case company

Before the reorganisation, the company had been led by one of the sons as CEO. As interviewee C describes the father and the uncle have been merely involved to control the son's actions. In general, the company has suffered from a lack of formalisation as there has not been a clear definition of roles, responsibilities, and tasks. Some employees have been put into job positions without having the right skillset some interviewees have explained. Employees got put into charge due to being the *"favourites"* of the CEO which ultimately has hurt employee motivation for many.

After the reorganisation, one management team has been founded. The other son and the uncle are the full shareholders of the company and mostly serve administrative purposes. One main goal of the reorganisation has been to form clear roles, responsibilities, and tasks. Every year requirements on tasks are reported and discussed with the employees. However, a lot more autonomy is given to employees, especially to the managers. The company executives emphasised in the interviews that they value self-development. Temporary workers that stand out are getting hired as permanent workers and provided further training as well as education in the Dutch language. The focus on working norms and quality standards has increased. Especially related to COVID-19 strict hygiene and health rules are put in place. The company further strives to achieve certain quality certificates. Competencies and hygiene are considered very important.

The company follows a horizontal, flat structure. The management team meets on a weekly basis. Interviewee A has described the reorganisation as a longer process in that the management team had to win over the trust of the shareholders. Nowadays, the managers enjoy autonomy in making decisions and the shareholders are only addressed for major investment decisions.

> *"We earned our trust ... as a management team ... because now they're saying they are seeing our business is doing [sic]. When you compare it with five years ago ... it completely changed. And by that process ... they got more passive."* - Interviewee A

> *"They [family shareholders] are letting us free to create our own plans, create our own budget, create our own strategy. And given that freedom gives a lot of trust. I feel that trust as an executive. ... which is the big difference between five years ago."* - Interviewee A

A more detailed illustration of the governance structure of the case company before and after the reorganisation can be seen in Appendix B.

4.7. Cultural controls in the case company

Very noticeable in the interviews with all managers and employees has been that the family values, reliability for instance, which refers to keeping promises and always paying one's debts on time, are still present in the firm after the reorganisation. Rather the core values have been extended by the following ones: collaboration, flexibility, and expertise. The CEO of the company further highlighted the importance of reliability. The values are now talked about more often and every year in performance reviews the employees are reminded of the core values of the firm.

> *"But when you ask about core values, one of our core values is reliability. And I think that's also one of the family core values. ... I know that the first generation found it very*

> *important that everyone, everyone knows them as a reliable grower. I think that is one of the most important core values."* - *Interviewee A*

> *"The values of the pater familias were: always pay your debts and keep your promises. These values are still actual and are part of daily business."* - *Interviewee C*

The family-owner acknowledged that before the reorganisation the family values have not been aligned with the values of the firm. The cause of this has mainly been the previous CEO, one of the sons of the family, whose vision Interviewees B and C described as *"divide and conquer"*. The son has seen the company as his own and not the property of the family as a whole in that he has taken resources for his own interest, which ultimately has been damaging to the financial health of the business. The consensus among the interviewees has been that they all felt *"stuck"* in between the tensions of the family resulting in high demotivation and a tendency to avoid the family members. Interviewee A described the situation in that the family problems have been leaking down to the workforce causing a lot of dissatisfaction, managers were leaving the company, and clients have been left unsatisfied. In contrast, all interviewees experience the current situation as a complete turnover. Interviewees enjoy a flat hierarchy in that open communication exists within all levels, managers are very transparent about their decisions and actions, and employees can share their own ideas. All managers have agreed that the management team now enjoys a *"one team mentality"*. Before the reorganisation, none of this had been present in the company the interviewees described.

While there has always been a focus on quality and customer satisfaction, the employees feel that it is emphasised even more so. Some interviewees mentioned trust as a new characteristic of the firm and very important to them. One reason therefore might be that the current CEO feels responsible and aids in manual labour when time is short, Interviewee E mentioned. In general, the reorganisation is seen as a success and employees are more motivated and happy to work for the company again. Interviewee A has expressed the following: *"And I think ... after one year. Everyone was happy and proud, again, to work for our organization and that was very important."* The feeling of a family company, although the family is mostly administratively involved, is even more prevalent after the reorganisation than before. Interviewee B stated that the family spirit is still within the company, the management follows the original family values, and *"you can go only as hard as your slowest worker"*. A photo of the founding family-member is hanging next to the entrance of the main building.

> *"If you enter the building the photo of the father is on the left side. The family spirit is who is doing the company, It has the name of the family. Focus is long term values of the family [sic]. We follow [the family values] and let's be open, speak the truth and pay your debts very quickly. As far, as sort of [sic] the family thought of ... the old father."*
> *- Interviewee B*

Limited due to the ongoing COVID-19 pandemic the company previously hosted weekly Friday afternoon get-togethers and parties involving all employees twice a year. Although merely for hygienic reasons employees working in production wear uniforms.

5. Discussion

In this section, the relevant empirical findings from this research are analysed, compared, and discussed. First, the classification of the case company's value emphasis before and after the reorganisation is discussed followed by our proposed model consolidating the key findings of this research. Thereafter, the eight propositions are discussed supported by the theoretical background and empirical findings. Last, a reflection on this research's limitations is made with suggestions for further research.

5.1. Change in value emphasis in the family business system

The findings indicate that the FBS of the case company has similarities with Distelberg & Sorenson's (2009) classification of a business-depleting FBS before the reorganisation. Most noticeable is the classification in the decline of business resources for the sake of the private interests of the family-owner CEO. To distinguish the FBS from a family-emphasis FBS, a family-emphasis FBS focuses on the health and development of the family system without depleting the business system and values its health and development simultaneously (Distelberg & Sorenson, 2009).

Comparing it with the case company after the reorganisation and the changes to the governance structure one can observe the shift in emphasis towards the business-first side of the continuum. However, defining the shift as to whether it has moved to a balanced emphasis, business emphasis, or even to a family-depleting FBS becomes seemingly more difficult. For one, the values and goals of the family system appear to be aligned with the values and goals of the business system. Arguing for a balanced emphasis is the consensus among interviewees that the family spirit is still alive in the company, with some mentioning that the family spirit is even stronger than before. Further supporting the argument for a balanced emphasis is that in contrast, a business-emphasis FBS suffers from a lack of growth of family resources (Distelberg & Sorenson, 2009). One interviewee of the top management has mentioned that the strategic focus is on the long-term and aiming to grow the family system as the shareholders are members of the family system.

Coming back to the first proposition made, the findings show that the management control system differs substantially from the business-depleting FBS in the ex-ante state to the balanced orientation in the ex-post state. Nevertheless, the findings indicate variability in the responsiveness of the different control mechanisms—meaning that some management controls have been more difficult to change—to the structural change which will be presented in the following Figure 5 and discussed subsequently. The model gives an overview of the MCS in relation to the value continuum of the case company before and after the reorganisation. The text marked in red displays the MCS before the reorganisation when the case company has been classified as a business-depleting FBS. The green arrow indicates the movement of value emphasis within the value continuum. The MCS of the case company after the reorganisation is displayed in green under a balanced-emphasis FBS. The bar on the left side of the model indicates the observed management controls' inertia to change. The inertia to change is the highest on top of the bar and decreases downwards.

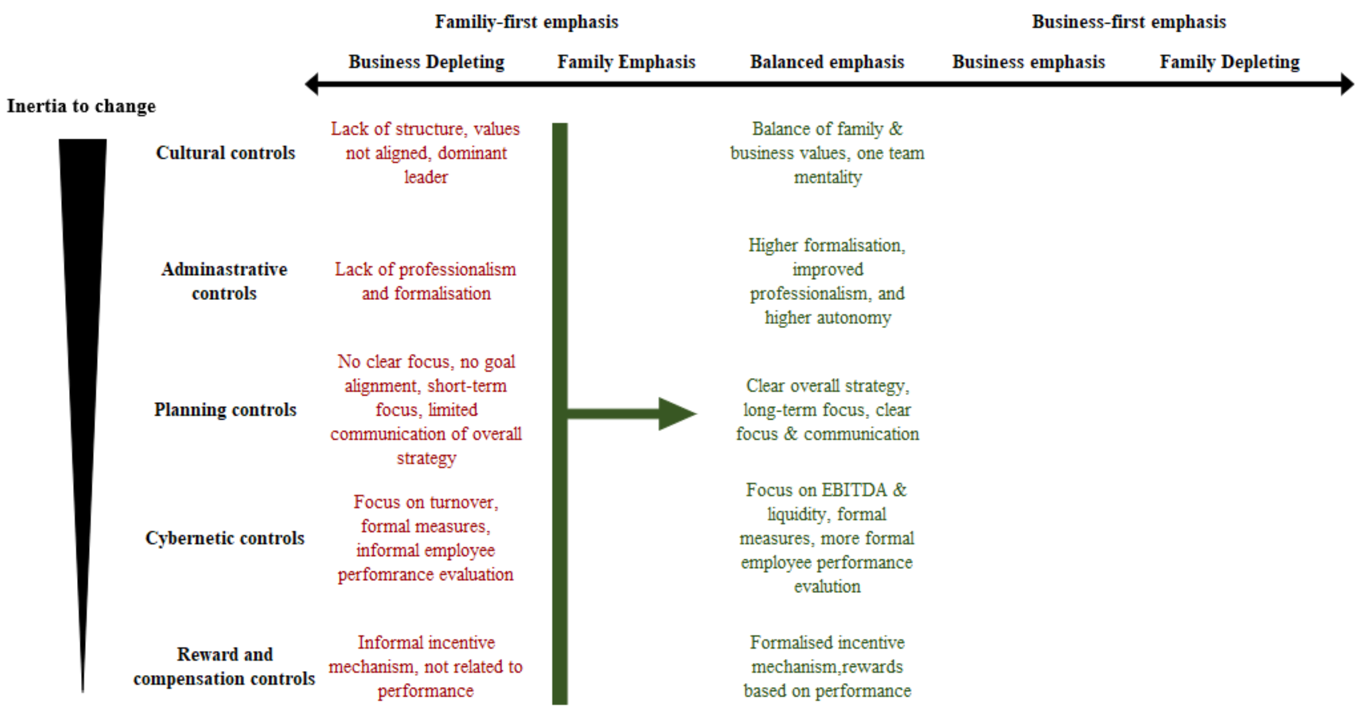


Figure 5: Management control system as a package in relation to the value continuum emphases within the family business system in the case company

5.2. Redesign of management control systems

In general, the structural shift of the case company by replacing the family management with management outside the immediate family system has led to two overall outcomes: increased formalisation and increased professionalisation. Considering the poor financial and strategic position of the case company, there has been a strong incentive for change. When internal systems get overhauled and a new structure applied it is not that uncommon that prior leaders have to retreat from their roles (Gersick et al., 1999). In order for the members of the business to adjust to the new system, the implementation of new policies, routines, and other management controls are often required (Gersick et al., 1999). The findings imply that a business-depleting FBS has more informal controls in place compared to a balanced-emphasis FBS, which is in line with the proposed model. However, some differences appear between the made propositions and the findings. The main differences are related to the usage of formal performance measurements within a business-depleting FBS and the observed higher autonomy within a balanced-emphasis

FBS. These contrasting findings will be elaborated in further detail in the following sections when each proposition is analysed in more depth.

5.2.1. Redesign of cultural controls

The case company has undergone one very noticeable change in cultural controls. Following a business-depleting FBS prior to the restructuring, the FBS has prioritised the health and the development of the family system over that of the business system. A lack of formalisation and structure have been the primary characteristics that have been manifested in the culture of the firm. However, a lack of structure and formalisation does not necessarily need to have a negative impact on the performance of a family firm (McCollom, 1988). Especially in less developed family firms, clan controls can be very effective forms of control that thrive on autonomy due to the existing loose ties (McCollom, 1988; Moores & Mula, 2000). Rather problematic is the aspect of the business-first FBS to deplete the business of resources which in the short-term hinders the firm's growth and in the long-term threatens its survival (Distelberg & Sorenson, 2009; Gersick et al., 1999). Furthermore, the differing values between the family system and the business system as well as the differing values between the members within those systems have led to several challenges.

Drawing from the findings, one challenge the case company has been facing is that prior to the reorganisation the members of the firm have not been united under one culture following one purpose, but rather existed in two or more subcultures with each following their own interests. Certainly, the divide in values stems primarily from the tensions between the family members that have trickled down to the workforce. Family firms are driven by the dynamics of the underlying systems (Distelberg & Sorenson, 2009) that further shape the MCS of the firm (Speckbacher & Wentges, 2012). In that case, the differing values have caused diverging goals which have led to an ever-decreasing professionalism that has ultimately threatened the viability of the firm. Therefore, an increase in professionalisation, for one through formalisation, has been strongly needed.

Based on the second proposition, cultural controls are expected to become more formalised when a shift in value orientation from family-first to business-first occurs. Consistent with the empirical findings the case company has undertaken various measures in formalising cultural controls after the reorganisation. While the family members are not actively involved in the management anymore, it is even more so striking that the outside managers have put great emphasis on keeping the family's culture and values alive. The main target has rather been to derive an alignment of values and goals between the family and the business system, thereby uniting all members of the FBS into "one team".

5.2.2. Redesign of administrative controls

In theory, the ownership system acts as a mediator between the family system and the business system (Distelberg & Sorenson, 2009). In the case of this study's company the prior CEO has fulfilled simultaneous roles as a family member, owner, and member in the management before the governance structure has been revamped. Therefore, the possibility of mediating between the family system and the business system has been absent, certainly due to the fact that the owner prioritised his own interests over the business's interests. In that sense, restructuring the management team with members outside the family circle can be seen as the right call. However, the family members still fulfil administrative functions which is consistent with the theory (Audretsch et al., 2013; Fama & Jensen, 1983). Referring to proposition six, FBSs with a family-first emphasis use less formal administrative controls than FBSs with a business-first emphasis which is consistent with the empirical findings. In the means of defining clear roles, responsibilities, and tasks, the new management has contributed to the demand for increased formalisation and professionalisation. Maintaining the flat organisational structure with short ways of communication preserve the competitive advantages of a family firm.

5.2.3. Redesign of planning controls

Furthermore, the findings indicate that the strategy before the reorganisation has been short-term, not formalised and without clear focus. This is in line with Jorissen et al.'s (2005) empirical study which has found that family firms have a lower usage of formal planning mechanisms. The former CEO has focused on the rapid growth of turnover without a long-term financial goal which is in contrast with Anderson et al. (2003) who have found that family firms tend to have financial goals with a long-term focus. An explanation for this contrast could be that Anderson et al.'s (2003) study has focused on family firms in general and did not consider distinctions between family firms. The case company before the reorganisation can be considered as business-depleting which indicates a short-term one generation focus that makes it difficult to create a succession plan (Distelberg & Sorenson, 2009). Furthermore, the findings showed an increased importance of the business system's health after the reorganisation resulting in a long-term focused strategy. This builds up on Distelberg & Sorenson's (2009) argument that an FBS with a balanced orientation tends to have a long-term focus. However, it is important to note that the current CEO has indicated that there is currently a short-term strategy, which is in contrast with the answers of all the other interviewees who viewed the current strategy as long-term.

Based on proposition three, an FBS chooses its goals on the basis of its overall value orientation. An FBS with a family-first emphasis prefers the health of the family system over the business system's health (Distelberg & Sorenson, 2009). In relation to the findings, this implies that it could have been expected that the goals of the case company before the reorganisation have been focused on the health of the family system at the cost of the business system. The reason for this is that the case company has been classified as a business-depleting FBS. The findings imply that the health of the family is indeed prioritised at the cost of the business system. From the interviews, it has become apparent that the son, the former CEO, had taken resources from the company to use for his own interests which has put the financial health of the company at risk. The overall goal of the case company's FBS can be considered as using the business system as a resource base while the value of business growth is minimised which is in line with Distelberg & Sorenson's (2009) argumentation regarding business-depleting FBSs. However, it appears to be difficult to classify the overall goal of the family system since the goals between the son and the family members have not aligned. Distelberg & Sorenson (2009) noted that the goals and values of individuals within the system can vary to a great extent. Given that the son and the other family members have shared commitment and family values over time, it can be argued that they are all part of the family system which prefers the family's health over the business' health.

Furthermore, the FBS of the case company after the reorganisation is classified with a balanced orientation. Based on proposition three, the goals of this FBS are expected to have a balance in goals focused on the family and business system's health by aligning the values of both systems. The interviewees have been in consensus that there is now better goal congruence with a focus on gradual growth, profitability, flexibility, quality and efficiency. Even though this focus seems to lean more towards the health of the business system, the interviewees have emphasised that family values still play an important role within the business. This indicates that both systems acknowledge each other's values and the overall goal of the FBS focuses on an aligned development of the family and business system which is in line with proposition three. When comparing the overall goals of the balanced-emphasis with the business-depleting FBS, it appears that the goals are chosen based on the value emphasis.

5.2.4. Redesign of cybernetic controls

In relation to cybernetic controls, the findings imply the usage of performance measurements does not substantially differ after the reorganisation, which is in contrast with proposition four. Based on proposition four, the usage of formal performance measures should be higher since the case company changed their value emphasis from a family-first orientation towards a more balanced orientation. This also contradicts the findings of Speckbacher and Wentges (2012) who argue that firms with a higher presence of family involvement are more likely to have lower usage of formal performance mechanisms. However, Speckbacher and Wentges (2012) have only made a distinction in the type of family firm by moderating for the company size. In general, the family firm literature regarding performance measurement tends to treat family firms as homogenous and do not take the differences in goals and values into account (Jorissen et al., 2005; Speckbacher and Wentges, 2012). In addition, the existence of different goals and values within the FBS makes it difficult to measure performance (Chrisman et al., 2005). Based on this reasoning, it can be argued that the findings differed with proposition four and the existing literature because of the complexity of performance measurement within family firms and the heterogeneity of family firms.

Furthermore, it should be noted that the case company has had a shift in focus on performance rather than a change in the extent of usages of performance measurement mechanisms. After the shift in value emphasis, the focus on key performance has moved from turnover to EBITDA and liquidity. These KPIs are each considered to be related to the measurement of performance of the business system (Distelberg & Sorenson (2009). However, the focus on the growth of turnover in order to become the “biggest plant cultivator” in the Netherlands has been at the cost of the health of the business system due to the issues in planning and capacity, which has resulted in financial losses. Moreover, when the goals are not aligned with the performance of the family firm, it can influence the motivation of the family to be involved in the business (Helsen et al., 2017). Presently, the new focus on performance is to not deplete the business system, which seems to have a relation with the family system since it became apparent during the interviews that EBITDA is currently the most important KPI for the family members. The performance measurement appears to be now more aligned with the family and business system, thus fitting within the theory of Distelberg and Sorenson (2009) regarding a balanced-emphasis FBS.

There are also formal and informal non-financial performance measurement systems in place e.g., employee and customer satisfaction, efficiency, sick leave and sustainability. This has remained mostly the same before and after reorganisation, however, the performance evaluations with employees have gotten more formalised. In addition, both the family members and the managers seem to put greater emphasis on financial performance than non-financial performance. However, it is of great importance that family-centred non-financial outcomes are not overlooked since they can be critical to the values and satisfaction of the family (Helsen et al., 2017). Examples of these outcomes can be reputation in the community, firm development, and family satisfaction (Helsen et al., 2017).

5.2.5. Redesign of reward and compensation systems

The findings indicate that the case company has had an informal incentive mechanism in place to reward the managers, however, this did not relate to the performance of the firm or employees. This has changed after the reorganisation when a renewed more formal bonus scheme for the managers and fixed employees has been introduced based on the financial performance of the case company or the growth in competence of an employee. This is in line with proposition five since it has been expected that the usage of formal compensation and reward mechanisms is lower in a family-first emphasis FBS compared to a business-first emphasis. During the interviews, it has become clear that the formalisation of the compensation and reward system gives the employees a better understanding of why someone gets rewarded and a greater sense of objectivity. Furthermore, these results build on the existing evidence of Speckbacher and Wentges (2012) who have found that performance-related pay mechanisms are used to a greater extent when the family influence on the firm is lower. When the case company has moved from a business-depleting FBS towards a balanced emphasis, the compensation of the executive board has been tied to performance. This is in line with the results of empirical studies that have found that family firms tend to relate CEO compensation less to performance (Bartholomeusz & Tanewski, 2006; Michiels et al., 2013). However, it is important to note that these empirical studies do not take the differences in values and goals between family firms into account.

5.2.6. Adaptability of controls

Propositions seven and eight draw on the ability of the different types of control to adapt and their responsiveness to change. The findings indicate that some controls have been subject to more drastic changes than others. For one, cultural controls have undergone severe changes. The laying-off of the former CEO has caused a complete turnaround in the firm's culture as some interviewees described. Based on the findings, one can conclude that only such a drastic change to the governance structure and therefore to the value emphasis of the FBS could result in the turnover of the firm culture. In line with proposition seven, cultural controls are inert to change and arguably large parts of the previous culture still exist in the form of family values and symbols. However, the increased formalisation has contributed to the business system's health and to the overall FBS's health accordingly. One could argue that the degree of formalisation is moderate since the employees enjoy high autonomy and informal open communication as indicated by the findings. Noticeable is the change especially in the higher perceived satisfaction of the employees. Clan controls are often depicted in the literature as a hindrance to structural change (e.g., Moores & Mula, 2000; Ouchi, 1979). Yet, the findings do neither contribute nor deny that statement since the case company has undergone a structural change, albeit severe in its cause and desired by the company's personnel. Furthermore, the increased professionalisation has required the family system to be open for professional management outside the immediate family system which further proves its ability to adapt (Distelberg & Sorenson, 2009).

Moving forward, the findings indicate that the following types of control have changed, yet in decreasing severity starting from the most severe: planning controls, administrative controls, cybernetic controls, and reward and compensation systems. Although, the findings show that compared to planning controls, cybernetic controls have already been implemented to a somewhat high degree, which possibly reasons the more drastic changes to planning controls. Furthermore, administrative controls are recognised in MCS literature to establish the framework in which planning and cybernetic controls, and reward and compensation are exercised (Malmi & Brown, 2008). In line with proposition eight, these types of controls exist in interdependence and often encourage a change following the other. Consistent with the findings, the increased focus on EBITDA in management meetings and the making of budgets has led to a reward system based on EBITDA which in return requires the measurement thereof.

Drawing on the theory, the FBS has proven its ability to adapt by acknowledging the underlying system's values and goals (Distelberg & Sorenson, 2009). The findings indicate that the CEO has not been open for change. When the former CEO has left the case company, the FBS has become an open system due to the allowance of new information into the system. When an FBS has an open system, the organisation becomes more flexible and open for change (Distelberg & Sorenson, 2009). One can argue when the system is disengaged, it is fairly difficult to make a structural change. The findings imply that the newly hired management has been successful in implementing a structural change since the entire system has fully adapted, and strategic and financial goals have been achieved within five years. It can be concluded that the case company has been able to adapt to the structural change since the FBS has become an open system after the departure of the former CEO.

5.3. Limitations and suggestions for further research

The proposed framework shows five dimensions of FBSs in relation to the types of management controls. However, the findings can only be accumulated under two of the five FBSs, which lead to suggestions regarding further research. For one, multiple case studies of different FBSs could contribute to the proposed model and fill in the missing pieces. Furthermore, the findings show what and how the MCS of the case company has changed following a structural change implemented five years ago. However, since the entire transition period has been observed retrospectively it is challenging to draw conclusions on the adoption process of the redesigned MCS. Therefore, longitudinal studies regarding the redesign of an MCS of family firms during a structural change and shift in value emphasis could be insightful. For instance, establishing contact with a family firm before a planned structural change has happened and following the family firm throughout the process. Additionally, longitudinal studies are recommendable in the investigation in order to avoid bias of the interviewees. At last, one limitation of this research arises from the truthfulness of the interviewee's answers due to the distance of the researcher. Finally, while reviewing the family firm literature it has become apparent that most empirical studies treat family firms as homogenous. The findings indicate that the usage of MCS has differed based on the value emphasis of the FBS, therefore it could be insightful for future empirical studies to take the heterogeneous nature of family firms into account.

6. Conclusion

With our case study, we have explored linkages between the family and MCS literature. By combining Malmi and Brown's (2008) MCS as a package typology with the systematic view of value orientations in FBSs by Distelberg and Sorenson (2009), we have developed a framework to analyse management control mechanisms in family firms that differ in their emphases ranging from family-first over business-first to a balanced emphasis.

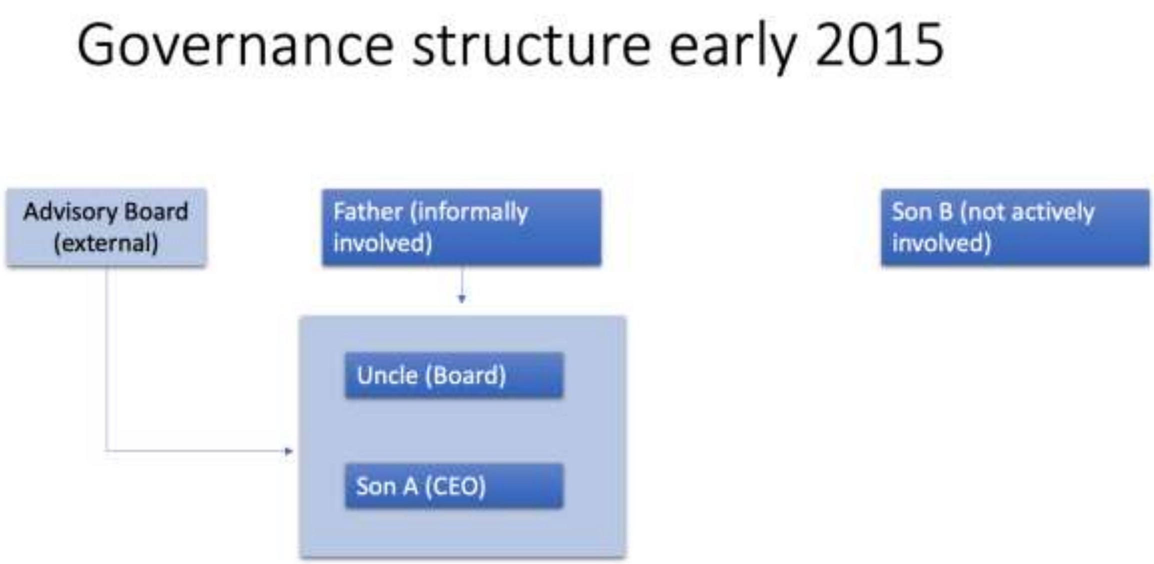
Furthermore, our research has aimed to find an answer to how a shift from family management to external management influences the value emphasis and thus the MCS of a family-owned firm. By analysing the different dynamics of the FBS of the case company and the following redesign of MCS this thesis has shown that the change in governance structure has led to a change in value emphasis within a family-owned firm. The value emphasis of the case company has moved from a business-depleting FBS towards a balanced-emphasis FBS. Our findings indicate that this shift in value emphasis has influenced the overall usage of the MCS. In general, the shift from a business-depleting towards a balanced orientation has led to an increase in the formalisation of cultural controls, planning controls, reward and compensation systems, and administrative controls. Moreover, our findings indicate a strong interconnection of values, goals, and resource transfers between the firm culture and the MCS. When the FBS acknowledges the underlying values and goals of each system, it enhances the ability to adapt. In addition, based on our findings we have been able to conclude that the case company has successfully adapted to structural change since the FBS has become an open system after the departure of the former CEO. Overall, our research indicates that the values of a family firm are directly related to the prioritisation and usage of certain management controls.

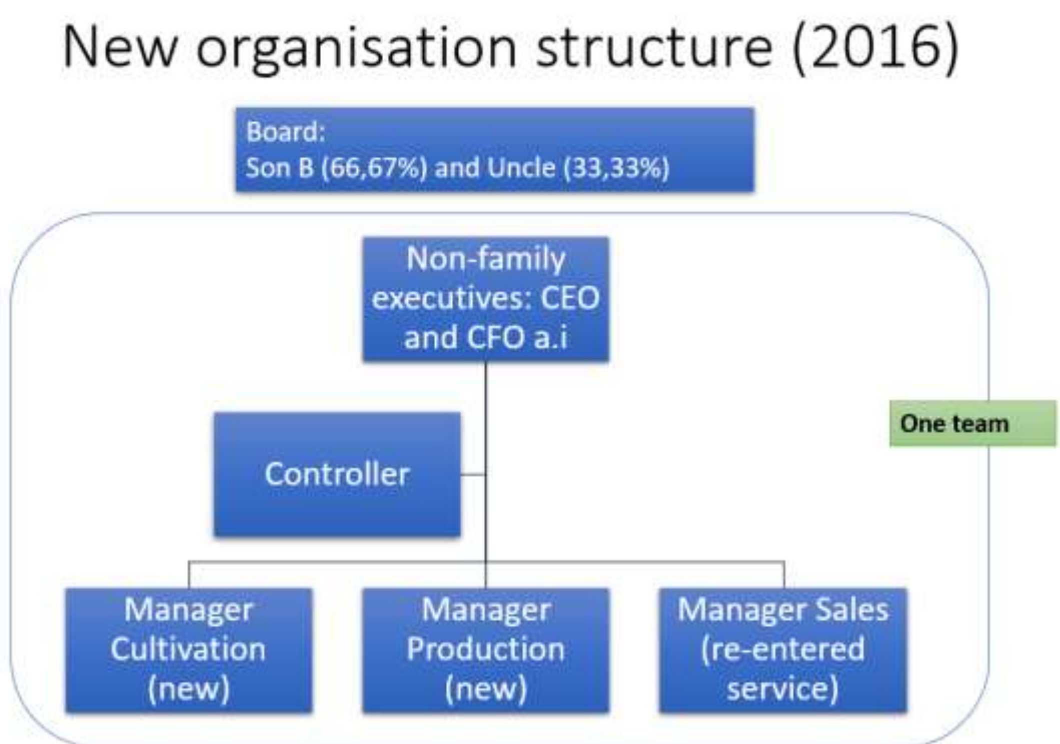
We contribute to the existing theory with our developed propositions and proposed model that can give further guidance in the investigation of family firms that have undergone a change in value emphasis. By identifying the FBS and the implications of the value emphasis on the MCS, it can help practitioners to identify issues related to the development of family firms. Further, our model can be helpful for managers within family firms to identify the FBS of their firm and the underlying value emphasis, and can take action regarding the redesign of the MCS accordingly.

Appendix A. Continuum of value emphases in family business systems adapted from Distelberg and Sorenson (2009, p73.)

	Business Depleting	Family Emphasis	Balanced Emphasis	Business Emphasis	Family Depleting
Goals	Family health	Family health	Family and business health	Business health	Business health
	One-generation focus	Family development	Aligned family and business development	Business growth	Business growth
		Multiple-generation focus and potential succession	Multiple-generation focus and succession	Maintained level of resources for the family	
		Maintained business resource base		Multiple-generation focus and succession	
Resource transfers	Business and family resources supporting family goals	Family to business flows seen as family investments to be used at a later time	Flow relatively equitable for family and business	Business to family flows limited or seen as "loans" that can ultimately help the business	Business and family resources supporting the business
	Investing family and financial resources in the family		Collaborations and policies guiding resource flows		Investing (reinvesting) family and financial resources in the business
Strengths	Family development	Family development	Family and business development	Business development	Business development
		Access to business resources over time		Access to family resources over time	
Limitations	Decline in business resources	Less growth in business system	Resources spent to maintain family and business balance	Lack of growth in family resources	Decline of family resources

Appendix B. Governance structure of the case company before and after the reorganisation





Appendix C. Interview outline managers and controller

1. General questions

1.1. What is your name?
1.2. What is your academic/practical background?
1.3. How long have you been working at the organisation?
1.4. What are your main job responsibilities?

2. Questions regarding the family firm

2.1. What are the biggest differences in daily management between the old situation with a family CEO and the new situation with external management?
2.2. How is the family involved in the business? How did that change with the reorganisation?
2.3. How do you currently see the strategic and financial position of the family business compared to 5 years ago?
2.4. Are there any family values, perhaps traditions, integrated into the business? What about before the reorganisation?
2.5. How are the interests and decisions of the family members considered by the management?

3. Planning

3.1. What is the current strategy of the organisation?

- How has the strategy of the organisation changed over the past decade?
- Would you say the organisation has a long term or short term focused strategy and could you elaborate why?

3.2. How are strategies and plans formulated and executed within the business?

- Who sets the plans (e.g. managers, subordinates)?
- How often are the plans updated within the organisation?
- How are strategies and plans communicated to managers and employees?

3.3. How have the formulation, implementation, and communication of strategies and plans been handled before the reorganisation?

- Based on the company documentation the vision, goals and strategy were not aligned with each other, could you elaborate why this was the case?

4. Performance measurement

4.1. What are your financial and/or performance targets?

- We know you are measuring EBITDA, do you have other measures as well?
- How are the targets set/defined?
- How do you measure them? (Budgeting, Balanced scorecard, Dashboards, …)
- Can you describe the evaluation process?
- What happens if the targets are not met?
- Are they communicated to managers and employees?

4.2. What are your non-financial targets?

- How are the targets set/defined?
- How do you measure them? (Customer satisfaction, Employee satisfaction, …)
- Can you describe the evaluation process?
- What happens if the targets are not met?
- Are they communicated to managers and employees?

4.3. What are the most important KPIs?

4.4. Can you elaborate on measures before the reorganisation?

- Based on the company documentation you have stopped with some PMC's (Performance Management Controls), could you please elaborate why this decision was made?

5. Reward and compensation

5.1. How does the reward and compensation system look like?

- Are the rewards based on individual performance or also on group performance?

5.2. How does the current reward and compensation system differ from the situation before the reorganisation?

6. Administrative controls

6.1. Can you elaborate on the reorganisation process? Did you follow any specific goals? Have the goals been met?

6.2. Are there any formal policies (About tasks, procedures, …)? What about before the reorganisation?

6.3. Is employee behaviour monitored?

- How is it monitored?
- Are there any sanctions?

7. Cultural controls

7.1. What are the core values of the organisation and how are they communicated within the organisation?

- How do the current core values of the organisation differ from the ones before the reorganisation?

7.2. Do you have any specific traditions which strengthen the core values of the organisation, if so could you please explain them?

7.3. Does the firm require a dress code for the employees? Why?

7.4. How is the office space designed (for example open-plan office)? What are the thoughts behind it?

Appendix D. Interview outline employees

1. General questions

1.1. What is your name?

1.2. What is your academic/practical background?

1.3. How long have you been working at the firm?

1.4. What are your main job responsibilities?

2. Questions regarding the family firm

2.1. What are the biggest differences in daily management between the old situation with a family CEO and the new situation with external management?

2.2. How is the family involved in the business? How did that change with the reorganisation?

2.3. How do you currently see the strategic and financial position of the family business compared to 5 years ago?

2.4. Are there any family values, perhaps traditions, integrated into the business? What about before the reorganisation?

2.5. How are the interests and decisions of the family members considered by the management?

3. Planning

3.1. What is the current strategy of the firm? How has the strategy of the firm changed over the past decade?

3.2. How are strategies and plans formulated and executed within the business? How about before the reorganisation?

3.3. How are strategies and plans communicated to employees and managers? How about before the reorganisation?

4. Performance measurement

4.1. What are the most important KPIs / outcomes for your job, for example, how do you measure if your department is performing well?

4.2. How did the focus of the measurement of these KPIs / outcomes for your job change before and after the reorganisation?

5. Reward and compensation

5.1. How does the firm reward your performance?

5.2. How does that differ from the situation before the reorganisation?

6. Administrative controls

6.1. What is your view on the reorganisation process?

6.2. What are the formal policies (about tasks, procedures, …)? How does this differ from before the reorganisation?

7. Company culture

7.1. What are the core values of the firm? How are they communicated within the firm?

7.2. How do the current core values of the firm differ from the ones before the reorganisation?

7.3. Do you have any specific traditions within the firm, if so could you please explain them?

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