



# LUNDS UNIVERSITET

A Qualitative Exploration of Organizational Culture and Management  
Control Systems in International Startups

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## **ABSTRACT:**

This study examines the influence of organizational culture on Management Control Systems (MCS) in international startups. It uses a qualitative case study of a startup in the sharing economy sector, which is presented under the pseudonym CompanyX. The research aims to understand how cultural values influence MCS design and effectiveness, specifically through examining what CompanyX refers to as Key Performance Indicators (KPIs). Employing a qualitative case study methodology, semi-structured interviews were conducted with the company's employees and managers. The findings indicate that CompanyX's culture, characterized by a supportive team environment, a no-blame mentality, and a diversity of backgrounds, has a strong influence on how MCS are applied and perceived. The study reveals that CompanyX's lenient and supportive approach to KPIs aligns with its organizational culture, fostering employee autonomy and a positive work environment. Feedback mechanisms and motivational strategies are essential in reinforcing these cultural values, ultimately enhancing the effectiveness of MCS. This research provides a framework linking organizational culture with MCS in the context of an international startup, offering insights for scholars and practitioners in international business.

**Keywords:** Management Control Systems, Organizational Culture, International Startup, Results Control

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# 1. Introduction

## 1.1 Background

Advances in technology and globalization have enabled companies to extend their operations beyond traditional national boundaries, enhancing profitability and fostering a more globalized corporate environment (Aggarwal, 1999). Increased efficiency has lowered the costs of conducting international business for all types of firms. As a result, competitive advantage has shifted away from large, experienced firms toward those with unique knowledge and swift response capabilities (Oviatt & McDougall, 1995). Notably, the rise of international startups has been particularly remarkable in this context (Stangler, 2019).

The terms "Global Startups" or "High Technology Startups" are frequently used to refer to the "Born Global Firms" which has been the focus of newer research (Oviatt & McDougall, 1995). Born Global firms typically possess characteristics that accelerate their internationalization process. These include technological competencies and globally-focused management, which together establish an organizational culture that emphasizes innovation (Knight & Cavusgil, 2004). According to Oviatt & McDougall (1995), international startups, as opposed to those with a domestic concentration, build an international spirit from the beginning which helps them negotiate foreign markets more skillfully. The authors (1995) argue that international startups can establish a unique culture skilled at handling cross-border challenges. They do this by incorporating global viewpoints into their rules and procedures from the outset. Many believe that these startups have a culture that is fast-paced and flat, with closely-knit teams of creatively engaged individuals (Giardino et al. 2014). For simplicity, this paper will use the term "international startup".

However, alongside technological advancements and global expansion, challenges persist. According to a Deloitte University Press (2015) paper on trends in human capital, the biggest problem facing organizations worldwide is culture. The research shows several cultural aspects

as factors for outperforming peers and creating advantages in the market. Therefore, culture is a dominant factor contributing to the success or failure of international startups.

Kandula (2006) once stated that because of organizational culture, firms deploying the exact same strategies do not end up with the same results, even if two firms belong to the same industry and operate in the same geographical area. Culture hence appears to be a strong force within the organizational sphere and should not be neglected when creating and developing organizational systems.

In particular, organizational culture plays a pivotal role in the successful implementation of MCS (Bhimani, 2003). Flamholtz (1996) distinguishes Management Control Systems (MCS) as a comprehensive set of mechanisms that include processes and techniques. Their aim is to increase the likelihood that individuals will behave in ways that align with organizational objectives (Flamholtz, 1996). Peters and Waterman (1983) observed that 'excellent' companies used 'simultaneous tight-loose controls.' This means their MCS encouraged autonomy, entrepreneurship, and innovation, typical characteristics of an international startup (Peters and Waterman, 1983; Knight & Cavusgil, 2004). However, these controls were also tight because employees shared a set of rigid values (Peters and Waterman, 1983). In these organizations, policies, procedures, and other controls were often unnecessary because the culture rigorously regulated the few variables that truly mattered. In other words, the MCSs in these organizations were dominated by personnel or cultural control, commonly known as normative control (Kunda 1995).

According to Rummler and Branche (1995), effective management and the resultant organizational success of companies hinge on the implementation of robust Management Systems tied to clear objectives. However, choosing measurable performance dimensions that reflect an organization's true objectives is often challenging (Merchant and Van der Stede, 2017). The lack of knowledge about the necessary actions or desired outcomes required to effectively manage and control an organization makes selecting the right result measures and setting achievable targets extremely difficult (Davila & Foster. 2007). If the chosen dimensions are not good indicators of the organization's true objectives, then the Management Control System can

neither be *applied, implemented nor interpreted*, regardless of any of the control systems characteristics (Merchant and Van der Stede, 2017).

Revisiting the context of international startups, the interaction between organizational culture and MCS becomes even more significant. These startups, characterized by entrepreneurial and dynamic cultures, are under pressure to grow and expand sustainably (Akroyd & Kober, 2020; Knight & Cavusgil, 2004). While recent literature acknowledges the importance of MCS in startups, there remains a gap in understanding how organizational culture influences the development, application, and interpretation of MCS, particularly in international startups (Davila & Foster, 2007; 2009). This paper aims to address this gap by exploring the role of organizational culture in shaping MCS within international startups.

## 1.2 Problematization

Historically, large and well-established businesses have been the focus of theoretical study on Management Control Systems, as evidenced by works like Robert Simons' "Levers of Control" (1995). In fact, the application of MCS in startup businesses has only recently attracted attention as highlighted by scholars such as Davila & Foster in their 2005 study on MCS in startups.

Previous theoretical (e.g., Hofstede, 1980; Schein, 2010) and empirical studies (e.g., Simons, 1995; Merchant, 1985) have explored how different cultural values in organizations emphasize various levels of management control. Empirical research by Bhimani (2003) and Henri (2006) has evaluated and confirmed the relationship between Organizational Culture and MCS. However, research examining this phenomenon in a startup setting remains limited.

The depth and complexity of organizational culture was neglected up until a few decades ago in favor of other organizational components that were seen to be more crucial to overall performance (Alvesson & Sveningsson, 2015). Furthermore, despite a growing interest in the intersection of MCS and organizational culture, the literature lacks a thorough investigation into this relationship within the context of international startups.



Hence, the relative novelty in this research area makes it not only exciting, but also informative to explore how organizational culture shapes the application, implementation, and interpretation of MCS in the dynamic environment of international startups.

### 1.3 Research Purpose

This research is relevant as it contributes to the management literature by adding to the growing body of research on the MCS of firms in their early stages, with a specific focus on how organizational culture in an international startup is reflected in the design and use of MCS. These insights can help identify the process for implementing and adjusting MCS effectively in the case of our specific international startup. Additionally, this paper could also assist international startups and entrepreneurs engaged in the development of their firm during its early stages by highlighting the influential role organizational culture plays in the application and implementation of their MCS.

#### **Research Question:**

*How does organizational culture within international startups affect the application, implementation and interpretation of Management Control Systems?*

### 1.4 Delimitations

This study is purposefully limited to enhance analytical clarity by focusing on a single case-study of an international startup and excluding established, larger multinationals. It examines a startup operating in Sweden, Denmark, Finland, the UK, and the US, enabling in-depth qualitative analysis within a manageable range (Patton, 2002). The research relies on the well-established model of organizational culture by Flamholtz (1996), ensuring clear interpretability of results within the larger research community. By concentrating on theories related to organizational culture and MCS, and excluding areas like innovation and strategic management, the study maintains focus and to ensure the study's findings are both relevant and applicable (Kuhn, 1962; Eisenhardt, 1989).

## 1.5 Outline of the Thesis

This paper consists of six sections. Section 2 will give an in-depth review of existing literature, providing the theoretical framework used to explore the case. Section 3 will present and motivate the methodological decisions endeavored in this paper. It will also give a detailed explanation of the case firm and why it was chosen. It will address the study's trustworthiness, as well as its methodological limitations. Section 4 will delve into the interviewees' responses and present the relevant findings in a structured manner. In section 5 the findings will be analyzed and discussed with respect to the literature. Finally, section 6 will reflect on the extent to which the objectives of this paper have been fulfilled, summarize its main findings and practical implications, and make propositions for future research.

## 2. Literature Review

A thorough literature review around organizational control forms the theoretical basis of our analysis. The review first examines the concept of organizational control and the primary streams of research that have explored this area, particularly focusing on how these controls are conceptualized and implemented in various organizational settings. Secondly, the literature review expands into the realm of Management Control Systems, delving into the systems designed to align individual actions with organizational goals. Following this, the discourse transitions to the specific context of international startups, examining how cultural underpinnings influence the implementation and effectiveness of Management Control Systems (MCS). The following sections further dissect the operational impacts of these systems, leading to a comprehensive framework that supports empirical analysis and structured discussion on the role of MCS in shaping startup success.

## 2.1 Organizational Control

Organizational control is broadly understood as the methods and processes used to determine what to do and how to do it in organizations (Johnson & Gill, 1993). Flamholtz (1996) defines organizational control as the process of influencing or controlling the behavior of individuals within a formal organization to increase their chances of achieving organizational goals. Often, organizational control is considered to be managerial, that is, the methods and processes are assumed to be executed and designed by managers (Johnson & Gill, 1993). Additionally, it is assumed that control is hard to predict, and that complete behavioral control is neither possible nor desirable (Flamholtz, 1996).

Early research on the topic of organizational control by Ouchi & Maguire (1975) states that organizations rely on two types of control, output control and behavioral control. Output control is concerned with the measurement of employee outputs through files or records while behavioral control is done through direct surveillance of personnel (Ouchi & Maguire, 1975). Ouchi & Maguire (1975) conclude that output control serves the needs of the organization while behavioral control serves the needs of individual managers that oversee different departments. They critically highlight the challenges of relying on one type of control as that would make it difficult to fulfill both departmental and organizational needs simultaneously (Ouchi & Maguire, 1975).

Overall, the notion of organizational control has undergone significant advancement, surpassing the conventional management outlook to incorporate wider factors such as personnel, external structures, and artifacts (Johnson & Gill, 1993). Rennstam (2017) highlights a chronological progression towards normative control, the third type of control, which makes use of cultural norms and ideals, and is consistent with historical movements from direct to increasingly abstract forms of control. Organizational control has developed from a type of control that guides an individual's behavior directly to a type of control which generally allows individual autonomy, improvisation, and entrepreneurship under managerial observation (Rennstam, 2017).

## 2.2 Management Control Systems

Management Control Systems aim to influence people to take actions that, in their subjective judgment, would align with their organization's goals. This approach focuses on guiding rather than directly controlling specific behaviors (Flamholtz, 1996).

Simons (1990) highlights MCSs significant role in the formation of strategy, thereby challenging the traditional frameworks which view control systems solely as a facilitator of implementing strategic plans. Therefore, Simons (1990) defines Management Control Systems as formalized procedures and systems which rely on information to either maintain or alter patterns in organizational activity.

In order to help senior managers convert control systems into interactive tools, Simons (1995) outlines four essential behaviors that facilitate this process. First and foremost, ensuring that these systems are regularly discussed with staff members; second, maintaining these systems as a focal point for managers throughout the company; third, having direct, in-person conversations with staff members; and, fourth, cultivating an atmosphere in which information, presumptions, and plans are actively challenged and discussed.

In alignment with this view, Merchant and Van der Stede (2017) define Management Control Systems as all the systems or tools that managers employ to guarantee that their employees' behaviors and actions match with the organization's goals and strategies. When designed correctly, MCSs shape employees' behaviors positively to improve the chances that an organization will achieve its goals (Chenhall, 2003; Simons 1995). In management literature, MCSs have been conceptualized in several ways (Ferrerira and Otley, 2009), which is why we refer to Merchant and Van der Stede's (2017) object of control framework as it is more current and relevant to the scope of this study. Within the "Object of Control" framework, managers design their Management Control Systems by choosing among four management controls: action controls, cultural controls, personnel controls, and results controls (Merchant and Van der Stede, 2017).

The focus of MCS in this paper will be centered around results controls within Merchant and Van der Stede's (2017) framework. Results controls are typically employed to control the behavior of employees based on performance dimensions and indicators. They are used to monitor and evaluate employee output through measurement of different metrics (Merchant and Van der Stede, 2017). Results controls are linked to traditional output controls (Chenhall, 2003). Additionally, results controls are usually more feasible to implement than other designs of MCS and offer effective control even when knowledge as to which actions are desirable is lacking (Merchant and Van der Stede, 2017). However, it is both challenging and critical to properly define the performance dimensions to align with the organization's goals and objectives as this will shape employees' views and actions (Chenhall, 2003; Merchant and Van der Stede, 2017).

Merchant and Van der Stede (2017) emphasize that measurement is a critical dimension of a result-control system. Result measures and indicators are quantifiable metrics used to *evaluate organizational or employee performance*, including both financial and non-financial metrics. These metrics provide managers with detection and feedback functions regarding employees' performance (Merchant and Van der Stede, 2017). In alignment with this view, Parmenter (2007) points out that result measures and indicators are often mistaken for Key Performance Indicators (KPIs). KPIs are defined as non-financial *measures of critical success factors* in an organization, measured daily or weekly and acted upon by the CEO and senior management.

Within the results control system, performance measures and indicators help establish a performance target which requires continuous improvement (Chenhall, 2003). Results controls aim to enforce the achievement of these targets by rewarding and monitoring outputs (Akroyd & Kober, 2020).

This is an effective way of addressing motivational problems. Merchant and Van der Stede (2017) highlight that even without direct supervision or interference, results controls produce a motivational effect which promotes employee behavior in such a way as to maximize their chances of delivering desirable organizational results. They (2017) further add that this motivational effect becomes more prominent when incentives for delivering these results also strengthens employees' own personal rewards. Malmi and Brown (2008) agree with this perspective and recommend that any results or output based system needs to be accompanied by

a rewards and compensation system. They (2008) argue that the presence of incentives will lead to an increased effort from employees, and thereby an alignment between individual and organizational goals. Similarly, Chenhall (2003) relates results measures to reward systems and highlights that this incentive structure offers nuanced and differentiated approaches to motivate employees.

A significant advantage of designing MCS based on results controls is that it permits employee autonomy which is desirable when creativity and innovativeness are required as employees would be free to choose how to pursue their targets (Akroyd and Kober, 2020; Merchant and Van der Stede, 2017). Nonetheless, results control systems expose employees to a risk because the outcomes of their work can be dependent on factors beyond their control such as environmental uncertainty which can lead to dissatisfaction and feelings of unfairness, and in turn, making it harder to attract and retain employees (Merchant and Van der Stede, 2017).

Similarly, Chenhall (2003) criticizes performance and output measures' functionality and appropriateness in instances where environmental uncertainty is high. It is argued that environmental (external) uncertainty means that there is a lack of information about the business environment which prevents pre-determining the desired levels of output. In turn, this disrupts the performance evaluation process as demand is subject to change in ways that managers cannot predict (Chenhall, 2003).

The uncertainty associated with measuring performance creates a challenge for different organizations. Henri's (2006) empirical research into organizational culture and performance measures proved that organizational culture may help overcome these challenges.

## 2.3 Organizational Culture and MCS

Ouchi (1979) defines culture as the broad values and normative patterns that shape the behavior, practices, and policies of workers. The term "organizational culture" is used to describe the collection of values, beliefs, and social norms that are commonly held by an organization's members and typically affect their attitudes and behaviors (Ouchi, 1979). It is also considered to indirectly influence how employees perceive and tackle their tasks (Cameron and Quinn, 2011). An organization's culture further reflects what is valued by the organization, the prevalent

leadership style, and the procedures and routines which make an organization unique (Cameron and Quinn, 2011).

Flamholtz (1996) views organizational culture as the starting point for the design of Management Control Systems, meaning that the values, beliefs, and social norms which comprise an organization's culture are the basis of its MCS design as well. This is mainly because Management Control Systems both convey and reinforce the established organizational culture rooted in the organization's values and beliefs (Flamholtz, 1996). Empirical research by Bhimani (2003) and Henri (2006) support this theoretical argument.

Bhimani (2003) examines how values of the organizational culture are embedded in MCS and concludes that the success of MCS is influenced by the alignment between organizational culture and MCS. Henri's (2006) study tests out the relationship between organizational culture as a component of MCS. His findings suggest that organizational culture significantly influences the design and use of performance measurement within Management Control Systems (Henri, 2006). They further argue that organizational culture, although often overlooked, is an omnipresent factor that affects various aspects of organizational activities, including MCS (Henri, 2006).

Nevertheless, it is necessary to specify that organizational culture and cultural controls as part of Management Control Systems are distinct aspects which are associated with one another (Merchant and Van der Stede, 2017; Flamholtz, 1996). As a component of MCS, cultural controls are employed to communicate shared norms and values in an organization either by manager or indirectly through formal statements such as codes of conduct, and mission and vision statements (Merchant and Van der Stede, 2017).

Thus, organizational culture as a contextual element of MCS indirectly impact individual or group behavior. On the other hand, MCS directly shape employee behavior to accomplish organizational goals (Merchant and Van der Stede, 2017; Flamholtz, 1996). Hence, it is important to highlight that MCS need to be consistent with the core values of an organization which are the foundation of an organization's culture. Otherwise, it could have a negative impact on employees' behavior (Akroyd and Kober, 2020).

## 2.4 International Startups “Born Globals”

Usually, a startup is a young firm, still in the phase of building projects, but already in search of a repeatable and scalable business model while working in conditions of extreme uncertainty (Ries, 2012). Ries (2012) identifies that a startup does not refer to a small firm or a smaller version of a large firm, but rather it can be a large firm that has not yet matured in an extremely uncertain environment.

According to Bürgel et al. (2004), every company adopts a unique approach to internationalization, which varies greatly in areas like timing, initial investment, and process management. Research in International Business over the past few decades has been increasingly focusing attention on the "Born Global" firms. While the definition of a Born Global firm can vary, scholars agree that they are firms which internationalize within three years from inception (Oviatt & McDougall, 1995; Knight & Cavusgil, 2004).

Oviatt and McDougall (1995) claim that Born Globals apply global business tactics from the beginning and obtain a competitive advantage through foreign sales. Knight & Cavusgil (2004) stress that Born Global firms are entrepreneurial start-ups that seek to maximize their international performance by utilizing the unique characteristics of their organizational culture. They (2004) further add that management within a Born Global prioritizes leading the organization with an entrepreneurial orientation and values centered around innovation.

In this context, Management Control Systems can present a challenge for Born Globals. Simons' (1995) traditional MCS framework maintains that certain designs of MCS which are used to control outcomes and correct performance deviations limit organizations in terms of identifying opportunities and searching for innovative solutions. This makes it challenging for Born Globals to implement MCS as their identity revolves around being innovative and entrepreneurial. Nevertheless, Simons (1995) presents the idea of an "interactive" Management Control System which through learning, could promote innovation and stimulate managers to interact with emerging opportunities.



## 2.5 International Startups and Organizational Culture

Cameron and Quinn (2011) propose that during the initial stages of an organization, an organization's culture is characterized by an entrepreneurial, dynamic, and creative environment which encourages innovation and risk taking. This culture also emphasizes adaptability and flexibility when dealing with uncertainty (Cameron and Quinn, 2011). They further highlight that organizations in their early lifecycle which are dominated by this culture are devoid of formal structures and policies (Cameron and Quinn, 2011).

When looking at a startup through an international lens, Knight & Cavusgil (2004) distinguish that elements of organizational culture such as international entrepreneurial orientation have an effect on the internationalization process and performance of Born Globals. Born Globals' inherently entrepreneurial and innovative organizational culture facilitates their acquisition of fundamental knowledge-based capabilities which provides them with a competitive advantage (Knight & Cavusgil, 2004). Moreover, formation of organizational culture is said to occur cumulatively over time (Autio et al. 2000). Therefore, when a firm internationalizes early on, it adopts an international identity which allows it to be more aware and capable of pursuing international opportunities (Autio et al. 2000).

It is noteworthy to mention that an organization's experience and existing competencies influence its search processes for routines and procedures, which as a result, influences its future development (Autio et al. 2000). Therefore, international startups risk limiting their search processes for new routines or procedures due to having bounded rationality and being path dependent (Hennart and Verbeke, 2022). This can be explained by the notion of an organization's "dominant logic" which states that firms might not be able to acquire certain knowledge or routines if they do not do so early on in their life cycle due to their absorptive capacity being limited (Bettis & Prahalad, 1995; Cohen & Levinthal, 1990).

Building on the entrepreneurial culture and complexities associated with international startups, Akroyd & Kober (2020) recognize the role MCS play to foster flexibility and support innovation, organizational learning, and organizational change.

## 2.6 MCS and International Startups

Research indicates a subtle shift from informal to formal control mechanisms as startups mature when it comes to the integration of Management Control Systems in a startup. Flamholtz & Randle (2000) first contend that because of their smaller size and the efficacy of controlling through social norms, startups depend on informal controls. However, as startups expand, the necessity of formal management techniques is even more crucial. Davila & Foster (2007, 2009) note that formal controls must be adopted in response to organizational expansion. Similarly, the role of MCS as a tool to manage the pressure and complexities of organizational growth is highlighted by Akroyd & Kober (2020).

A thorough review of MCS in startups is given by Davila & Foster's significant research (2007, 2009), which offers in-depth insights into the adoption and effects of formal control systems within startups. Their (2009) work contributes significantly to the larger debate on managerial control by demonstrating that MCS and growth reinforce each other as startups expand. Nevertheless, while they (2007; 2009) explore the variables that affect MCS adoption in startups such as company size, venture capital investment, and executive leadership experience, they willfully decided to overlook organizational culture's influence on the adoption of MCS since it is an intangible and complex variable to study (Davila & Foster, 2007; 2009).

As developed throughout the literature review, international startups are under immense pressure to grow and expand sustainably in pursuit of earning and maintaining a position in the market (Autio et al. 2000; Hennart and Verbeke, 2022; Knight & Cavusgil, 2004). This raises the need for exploring the phenomenon of MCS adoption in international startups as it has been linked to reinforce growth.

Furthermore, as mentioned in this review, organizational culture plays a prominent role in the design and implementation of MCS. However, as the recent emphasis on MCS in entrepreneurial environments overlooks the interplay between organizational culture and MCS (Davilla & Foster, 2007; 2009), a reassessment of this theory should be conducted on an international startup.

To sum up, while recent research has shed light on the importance of Management Control Systems in entrepreneurial environments, there remains a notable gap in understanding how organizational culture influences the application, implementation, and interpretation of MCS, particularly in international startups. This research aims to fill the gap in the literature by exploring the phenomenon through an empirical case-study conducted on an international startup.

## **3. Methodology**

This section presents the various steps, approaches and initiatives undergone in order to gather and analyze the data that will be used in answering the presented research question. This section begins by describing the design & approach of the research as well as the data collection method used for the current study. Moreover, the aim is to clarify the data analysis process while also discussing and addressing the trustworthiness and methodological limitations.

### **3.1 Terminology Definitions**

While the primary focus in this paper is on Management Control Systems (MCS), the authors will frequently use the term Key Performance Indicators (KPIs) as they are the corporate language equivalent of results measures and indicators within the Results Controls design of MCS. This distinction is crucial for the accuracy and effectiveness of our research. During interviews with employees, it is essential to use terminology they are familiar with, such as KPIs, to elicit the most relevant and precise information. Employees might not be familiar with academic terms like MCS or results measures and indicators, but they regularly engage with KPIs in their daily operations (Parmenter, 2007). Therefore, by aligning the language with corporate jargon, the authors can bridge the gap between academic research and practical business understanding, ensuring that the insights gathered are both meaningful and actionable.

## 3.2 Research Approach

The goal of the research approach is to establish a methodology which can clarify the relationship between organizational culture and MCS, specifically with respect to the application, implementation, and interpretation of MCS. In particular, this section will present the underlying reasons for the approach selection, and the implications of employing such an approach.

In order to adequately address the research question:

*“How does organizational culture within international startups affect the application, implementation and interpretation of Management Control Systems?”*

The relationship under investigation is not easily quantifiable via statistical methods due to the intangibility of culture. Hence, a quantitative approach would not adequately answer the research question. Thus, a qualitative study was undertaken. Through a qualitative methodology the paper is able to investigate the social phenomena, attitudes, and complexities inherent in the relationship between organizational culture and management control systems in international startups. In addition, managers and employees' perceptions and experiences are key to the investigation. Hence, employing a qualitative approach allows the authors to encapsulate the rich context and subjective perspectives that contribute to a more holistic comprehension of the research topic. This allows the authors to use the findings from this paper to interpret the social phenomena that characterize these processes (Bell, Bryman and Harley, 2019). The novelty and breadth of the research gap further motivates a qualitative study that fully explores emerging aspects and nuances.

## 3.3 Research Design

### 3.3.1 Case Study

An instrumental case study design was chosen to delve deeper into the research question. Thus, providing comprehensive insights into the intricate relationship between organizational culture and management control systems in regard to the application, implementation and interpretation within international startups. This approach was chosen to facilitate a thorough examination of a singular case, allowing for the identification of unique qualities and nuanced details often overlooked by other research methods (Lee and Saunders, 2017). Moreover, while narrowly-focused studies may overlook unexpected or emergent data, case studies offer a valuable opportunity to uncover unprecedented, unforeseen, and surprising conclusions (Lee and Saunders, 2017). This methodological choice, aimed to shed light on the complexities of the selected case, offers valuable insights into how organizational culture and management control systems interact and evolve within the unique landscape of international startups. Moreover, the authors acknowledge the advantages in adopting a longitudinal study approach. However, due to the time constraints of the Bachelor's thesis, this was not possible and hence a cross-sectional study design was selected.

## 3.4 Data Collection Method

### 3.4.1 Selection of Case Firm

Given the nature of the research question and the need for an in-depth qualitative analysis, we carefully selected CompanyX as the focal point of this study. CompanyX, founded in 2016, has a peer-to-peer sharing economy business model. They provide a digital platform for individuals to rent out items they don't use daily and rent items they need, precisely when they need them.

In 2022, CompanyX acquired one of its main competitors from the UK, marking a significant development in its trajectory. The acquisition offers a valuable proxy for investigating the overall effectiveness of management control systems within international startups due to the breadth of their organizational culture. Therefore, presenting an exceptional opportunity to examine and analyze our theoretical question from a unique perspective.

CompanyX currently has its headquarters in Stockholm, Sweden, with over 30 well diversified employees ranging from various cultural, educational, and employment backgrounds. In addition to its HQ in Stockholm, CompanyX employees are spread out in different national locations, including amongst others Copenhagen and London. Additionally, CompanyX, from inception, aimed to achieve a global reach which can be seen by their internationalization efforts. Hence, the profile of the firm matches very well with the nature of the study and the research question under investigation and serves as a great entry point in which MCS can be studied. The researchers established contact with CompanyX through an acquaintance who works at the startup. The acquaintance helped the authors reach out to other employees in the organization and facilitated the entire process, including coordinating with senior management and arranging interviews with employees.

In order to ensure the ethical conduct of the research, particularly regarding participant- and firm confidentiality, the names of both will not be disclosed. Hence, the firm is referred to as the pseudonymised name of CompanyX.

### 3.4.2 Primary Data Collection

The primary data of the research was gathered through semi-structured interviews with key stakeholders, including founders, managers, and employees of the startup. The relevance of including various stakeholders grounds itself in gaining a broader understanding and perspective on the research question asked. Since both MCS and especially organizational culture can be implemented and perceived differently depending on whether the subject is a manager or an employee.

The paper employs the snowball sampling technique for the gathering of the study's interviewees. The previously mentioned acquaintance at CompanyX was the first person whom the authors interviewed. This initial contact subsequently coordinated six additional interviews, involving two managers and two employees, and two founders from different departments and national offices. Snowball sampling is particularly useful in this case because the authors are studying a population that is difficult to access (startup employees and managers). Also, because participants are recruited through referrals, it can be easier to establish trust and rapport with these populations for more accurate and honest data

The study comprises seven interviews which average one hour and fifteen minutes each. The interviews were meticulously recorded to guarantee transparency and transferability for subsequent analysis. These recordings are transcribed verbatim, ensuring an accurate account of the discussions for thorough examination. As Esienhardt and Graebner (2007) have asserted, the idea of interviews being a forefront in efficiency in regard to obtaining valuable empirical data. In alignment with this idea, the authors found semi-structured interviews to be the most fitting interview-type for this study. The flexibility of having a set of predetermined open-ended questions, as well as the potential and opportunity to steer away and tackle questions that emerge from the interaction between interviewer and interviewee is highly valued (DiCicco-Bloom and Crabtree, 2006). Moreover, semi-structured interviews are an effective method for data collection since the authors are able to explore participants' thoughts, feelings, and beliefs about the topic in question, while simultaneously delving deeply into personal issues.

The semi-structured interviews were governed by a guide which enabled the authors to effectively make use of the interview time, as well as controlling the direction in a systematic and comprehensive way (DiCicco-Bloom and Crabtree, 2006). Practically, the guide included the core questions for the study, but also several associated questions related to these that could arise during the interview process. The interview guide consisted of 14 questions. For employees, the authors aim to understand their perspectives on KPIs, including their experiences and how they have evolved during their time at CompanyX. Moreover, the interview guide seeks to explore how this was connected to team dynamics and whether diverse backgrounds influenced their perspectives on KPIs. For managers, the purpose of the questions was to gain

insight into the challenges involved in implementing KPIs and how those challenges have changed as the organization has grown. The authors also question factors of organizational culture in an effort to learn more about how they might affect the interpretation of KPIs. Primarily concentrating on the leadership-managed feedback processes, covering both the instances in which feedback has improved the team atmosphere and the circumstances in which miscommunications have occurred. Furthermore, the interview questions were structured in a way that left room for the interviewees to speak and for the interviewers to ask follow up questions. Additionally, the authors recognize that it is important to watch for bias during the interview, which further supports the decision to use semi-structured interviews, as the interviewee has the opportunity to retract and rephrase questions if bias or similar pitfalls arise, ensuring that future interviews for the study meet the rigorous standards set by the research community (Alvesson, 2003).

### 3.5 Data Analysis

The analysis is based on the data collected from the interviews. First, the authors seek to develop a rich understanding of the organizational culture from the perspective of both the employees and management. The authors tried to understand the core values and beliefs that are shared among the members of the organization. Second, the authors turned to the literature on MCS and organizational culture as well as the interviewees responses to help conceptualize the findings. Finally, the authors analyze the employees' social behavior which emerged as a response to the implementation of MCS.

First and foremost, the authors transcribed the interviews using Word's transcribe-function and whatever was unclear was re-written by listening to the audio files again to ensure accuracy. Moreover, the authors collected and grouped all the respondent's quotes relevant to the research question in an Excel file.

For the thematic analysis, the study adopts the three coding steps described by Gioia, allowing for the development of logical codes and themes arranged by 1st-order informant centered codes and 2nd-order theory centered themes (Gioia & Maghani, 2023). The coding process was instigated by an open and objective coding approach focusing only on the informants meanings,



resulting in the emergence of 24 first-order concepts (See *figure 1* below for reference). The 1st-order concepts are an objective description of the interviewees' quotes which were grouped together in such a way that all the quotes that belong to the same 1st-order concept discuss the same thing. Secondly, the authors continued the data analysis by identifying second-order themes through searching for relationships between the 1st-order concepts, thereby resulting in more abstract theoretical concepts. These 2nd-order themes were further distilled into even more abstract overarching dimensions, the aggregated dimensions. From the coding process, the following 2nd-order themes emerged: *Organizational Values*, *Perceptions of KPIs*, *KPIs in Startups*, *KPIs and Management*, *Feedback*, and lastly *Motivation*. Following the categorization of 1st-order concepts and the emergence of 2nd-order themes, the authors concluded and condensed the coding into three aggregate dimensions: *Organizational Culture*, *Result Control*, and *Social Positive Reinforcement of Results Control*. The authors will make use of the previously acquired 2nd-order themes and aggregated dimensions as well as consistent reference to interviewees 1st-order quotations in order to present its findings in a convincing, detailed, and data-based narrative (Gioia & Maghani, 2023).

Scholars hold strong praises regarding the Gioia methodology in its ability to effectively and rigorously reveal significant information from qualitative data. By employing the coding technique the authors aim to uncover meaningful and methodological respected findings to fill the current literature gap regarding organizational culture and MCS in an international startup context. Thus the Gioia method gives much needed rigor to the qualitative endeavor endured in this paper, ensuring adherence to trustworthiness aspects.

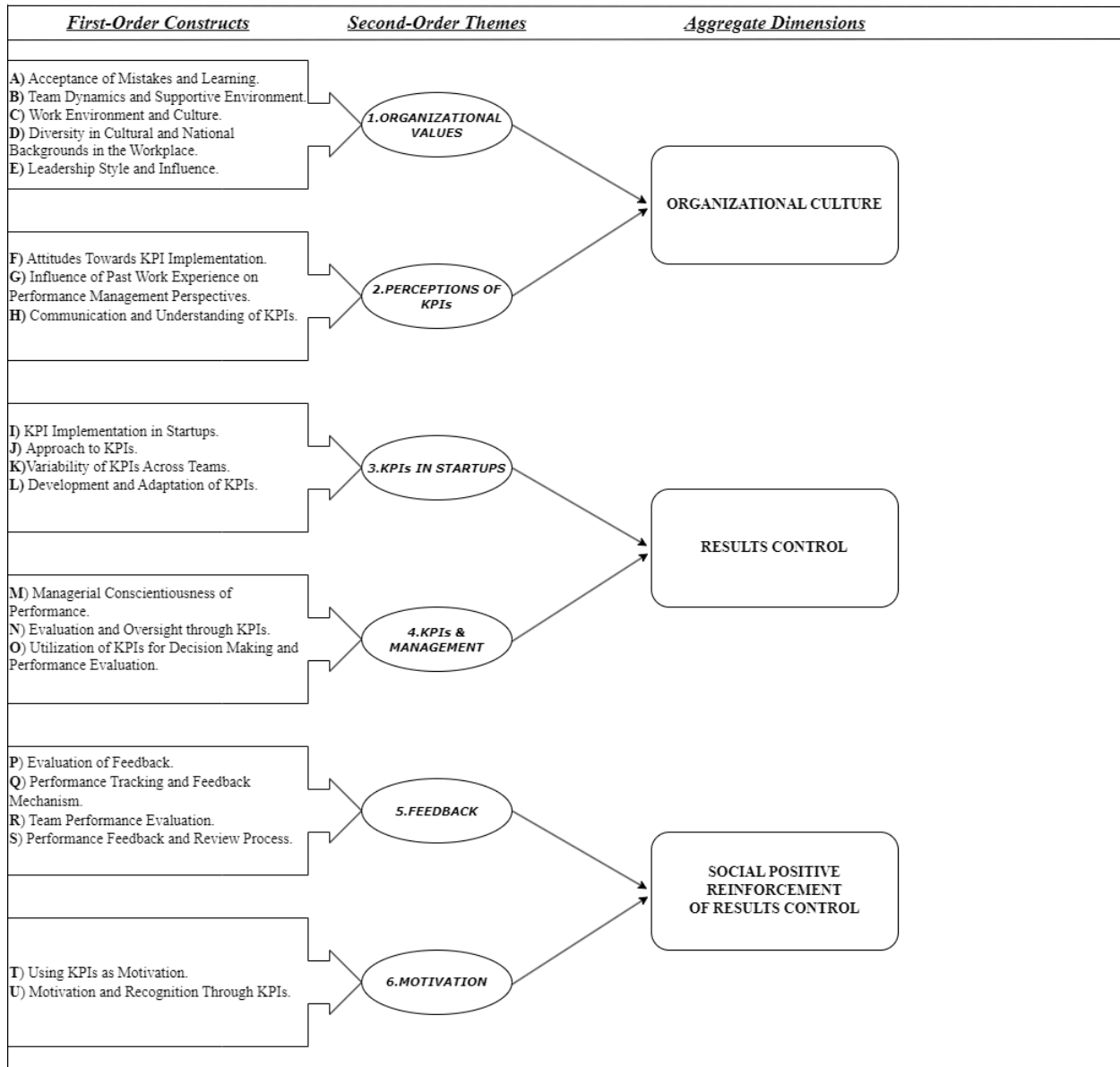
Applying the Gioia method in this setting allows the authors to unveil the revelatory potential and richness of data inherent in the case. While allowing for interpretive assumptions with a purpose of capturing and modeling the interviewees meanings and their understanding of organizational events. Which is why the Gioia method fits very well with the research question, it aids in creating a product of process model or novel concepts about the topic of organizational culture and MCS through an abduction lens (Gioia et al. 2013). Although it is suggested by Gioia et al. (2013) to use grounded theory which is typically used for induction as their research approach, the authors drew on abduction which involves theoretical preconceptions throughout all phases of the research.

Scholars have appointed three reasons why deciding the research approach regarding theory development is critical. Firstly, it allows for a more informed decision about the research design. Secondly, it aids in the research strategies and methodological choice that fit the particular research endeavor. Thirdly, adapting the research design to cater for various constraints, practical or knowledge-based (Saunders et. al., 2012).

There are three main approaches to scholarly research; deductive, inductive, and lastly abductive. Bryman and Bell (2015) describes the deductive approach as the process of using established theory to develop hypotheses which are tested by empirical data. Reversely, the inductive approach takes empirical data to generate new theoretical concepts. Lastly, by combining the two reasoning processes it allows for the abductive approach. It is characterized by trying to unveil a surprising fact which the research process then attempts to explain, while also allowing to move back and forth and in a sense go from theory → data → theory in repetition (Saunders et al. 2012).

In accordance with the paper's research design and data analysis method, the Gioia Method, abductive reasoning is employed. The approach allows the authors to more easily build new theoretical concepts. But, simultaneously also referring to theoretical preconceptions that might explain novel insights about a larger phenomenon of interest (Bell, Bryman and Harley, 2019). The main advantage of this in regard to the study is being able to observe the social processes that encompass the interactions between organizational culture and MCS, while simultaneously being able to refer to management theories to guide the process of searching for statements that refer to these concepts.

Figure 1: Data Structure



### 3.6 Trustworthiness

In research, according to Messick (1987), validity is the ability of empirical evidence and theoretical foundations to validate the findings so suitably and appropriately. Criteria asserted by Yin (2017) regarding validity when looking at a case study states three situations which must be ensured in order to adhere to the validity standards implemented by the research community: i) Construct validity, ii) Internal validity, and iii) External validity. However, these quality measures are designed to adhere to quantitative work. Hence, scholars such as Lincoln & Guba (1985) have created a corresponding set of criteria for qualitative research, namely trustworthiness.

The criteria can be further narrowed down to credibility, transferability, dependability and confirmability. The scholar highlights credibility as the confidence in the “truth” of the findings. Transferability as the notion of being able to show that the research findings have applicability in other contexts. Thirdly, dependability refers to the findings being consistent and able to be repeated in a replication of the study. Lastly, confirmability answers the question of neutrality and pertains to whether the results are a fair representation of the participants and circumstances or a product of the researcher's prejudices.

A rigorous approach is paramount to ensure accurate interpretation of results. The paper included several interviewees ranging from different departments and levels and from various cultural, social, educational and most importantly corporate backgrounds. This approach mitigates the risk of relying solely on the perceptions of objectively equal individuals, thereby enhancing the credibility of the findings by bringing a more holistic perspective. Moreover, the applied data analysis method (Gioia) offers a rigorous approach to the analysis process. Ensuring that the paper's findings are coded and presented in a structured manner, thus enhancing the findings credibility. Lastly, a collective effort was made by the authors regarding the interview transcripts in order to diminish subjective bias and to ensure that no errors were included.

Moreover, Lincoln and Guba (1985) addresses the criteria of transferability and highlights the need for providing a thorough research description to make sure the context is taken into account. By doing so, it enables future researchers to determine whether the case study can be applied in different contexts and if it can be applicable for other case characteristics. The rich content of the introductory chapter and the detailed plan of the methodology section gives way for this, aiding future research by a clearly defined scope and case description, ensuring that the findings can easily be matched or applied to other relevant cases.

Lincoln and Guba (1985) further stresses the importance of neutrality within rigorous research practices. The importance lies in protecting the research from researcher's bias and subjectivity when addressing the findings. In accordance with the neutrality principle, the authors of this paper transcribed the interviews together with an objective lens, following the strict guidelines of the Gioia methodology which also stresses objective coding in the early stages. The previous action in coordination with explicit records of the methodology aids in creating a non-bias research endeavor, which according to Lincoln and Guba (1985) is an essential step in ensuring research neutrality and impartiality.

### 3.7 Methodological Limitations

The study uses a qualitative research methodology to gain a comprehensive understanding of the control mechanisms and cultural dynamics within international startups. Because quantitative approaches require predetermined variables and measures, it may not be able to capture subtle insights into complex, context-dependent variables like culture, whereas qualitative methods can (Yin, 2014). However, the limitation lies in the fact that the quantitative components of the relationship between organizational culture and MCS performance criteria are not investigated, thus limiting the ability to verify the study's findings.

The employed research approach can further create limitations with regard to biases. Because the findings of the paper is based on the opinions and judgments of respondents, there is a heightened need in controlling for various biases. The use of snowball sampling instead of random sampling may increase the risk of self-selection bias, since willingness to participate and respondents being influenced by management to participate are both factors to consider.

The longitudinal changes in startups are not covered by this study. Long-term research and follow-ups are needed to fully investigate these changes, but these tasks are outside the scope and time capacity of this study. Flyvbjerg (2006) suggests that a snapshot technique, which offers quick, contextual insights into the current state of MCS and cultural dynamics, is appropriate for exploratory and foundational research.

In addition, the interview design and selected case-firm may give room for limitations as well. Some of the interviewers and the respondents are not native English speakers, which may cause some misinterpretation of information due to the limitation of a language barrier.

Finally, it's important to acknowledge that interviews served as the main data collection method in this qualitative study. While interviews offer rich insights into participants' perspectives, future research might enhance its methodological rigor by adopting a mixed-methods approach. Future researchers can thus facilitate the validation and triangulation of findings by supplementing qualitative exploration with quantitative analysis. Moreover, this combined approach enables a more comprehensive understanding, based on causality and mathematically reassured results. However, a mixed-methods approach would require extensive resources and time, and therefore be outside the scope for this thesis. Thus, even though the authors acknowledge the advantages it brings, a purely qualitative approach was undertaken.

## 4. Findings

Our results conclude a unique pattern in international startups that depicts the relationship between organizational culture and results controls, a component of MCS, in the setting of an international startup. In these international firms, we identify three key aggregate dimensions that we label as '*Organizational Culture*', '*Results Control*', and '*Social Positive Reinforcement of Results Control*'. The formation of these dimensions, as well as their underlying themes, is visualized in the data structure in Figure 2.

In order to fully grasp the findings and its relevance to the investigated research question, the authors have appointed the three key words; *application*, *implementation*, and *interpretation* to each of the dimensions. Application & Organizational, Implementation & Results Control, and

Interpretation & Social Positive Reinforcement of Results Control. A thorough detail on the connection between each will be discussed under each section.

## 4.1 Organizational Culture

The first important aggregate dimension that arose from the interviews was *Organizational Culture*. Organizational culture emerged through the two second-order themes, *Organizational values* and *Perceptions of KPIs*.

Organizational culture significantly affects the *application* of MCS in international startups through safeguarding core *values* in daily operations. Employee initiative and innovation are encouraged without the fear of negative consequences because the organization fosters an entrepreneurial spirit and accepts failures. This encourages a flexible approach to MCS that puts growth and learning ahead of rigorous adherence. The organizational environment is enhanced by the diversity of national and cultural origins, which contributes a range of values and *perceptions* that impact MCS activities. This calls for flexible MCS approaches that take into account the wide range of employee expectations and experiences.

*Organizational values*. The first important aspect of organizational culture and more specifically organizational values observed in the international start-up is the acceptance of mistakes. The findings highlight a culture that promotes taking initiative despite the risk of failure. Furthermore, in connection to the *no blame culture*, respondents stress the importance and value of also having an open dialogue style and an accepting rationale to making errors. Hence, CompanyX has clearly established an organizational culture firmly rooted in values that encourage entrepreneurial mindsets, with an emphasis on trying new things and learning from mistakes. This perspective seems to be shared across the organization as one speaker highlights the importance of making mistakes and accepting it.

*Speaker 2: "We have a no blame culture. It's OK to make mistakes. I would much rather have people who are not afraid to take initiative and I think you get more value in the end in a culture like that."*

Additionally, the findings indicate team dynamics and the creation of a supportive environment to be crucial in shaping and fostering a collaborative culture in the international startup. The firm's values focus on the significance of honest feedback, team support, and the emphasis on open communication channels.

***Speaker 5:** “I think there is a really supportive environment in CompanyX, actually and also the managers, they're very transparent. So. I think they have been good at creating that culture. Yeah. So we have a lot of like open channels and we're encouraged to communicate within those and for me it's really motivating.”*

The insights also demonstrated how the workplace culture in the international startup prioritizes low stress, autonomy, and transparency. Rather than just requiring compliance, it intends to improve worker productivity and well-being. The employees reinforce this argument by noting the supportive and transparent nature of the environment. They describe this team environment as laid back and fun, emphasizing the freedom to be oneself and the sense of comfort within the team.

***Speaker 1:** “I would explain the overall team environment as really laid back and that we have a lot of fun. Everyone can be themselves I feel. You can completely say things without any judgments. I think that describes it pretty well. From our Team you always feel like a home kind of sensation.”*

Furthermore, the diversity in cultural and national backgrounds within the studied startup significantly influences its organizational culture by fostering an inclusive, supportive and innovative environment. This diversity ensures that MCS are applied flexibly, supporting growth and continuous improvement while accommodating the different expectations and experiences of employees. Though national diversity is strongly presented in CompanyX, the prevalent factor of diversity was observed to be linked to organizational culture, particularly through the varied values that employees brought to CompanyX. The staff members' varied national origins caused few misunderstandings between the groups as they were able to find a connection to similar



shared beliefs. Collective acceptance of the promises and expectations of working in a Western market environment was a reflection of this shared cultural outlook.

***Speaker 4:** “Culturally speaking, we're all very generically western, even if you know you weren't born in the West or you're not currently living in the West, we are culturally of the West, so to speak. And we all buy into the promises of working in businesses that are operating within a certain market environment.”*

Lastly, leadership styles in the international startup significantly impacted team dynamics and decision-making processes, therefore shaping an important aspect of the company's culture and the values held. The most dominant contrast was observed in the leadership approaches between the UK and the Swedish teams, where decision making differed from being more vertical to horizontal. Additionally, the authors observed that the divergent leadership styles of the three founders have significantly influenced the work culture within the Swedish team. The findings highlight personality and previous work experience as the basis for the different management approaches.

***Speaker 1:** “The person behind each team, that is a dominant factor, like the leader role and that's how we behave. There are three owners and each of them are in charge of each department and you could see that because they are different in personalities and the culture of how they manage. It is completely different.”*

*Perceptions of KPIs.* Following the findings on values, there was another significant influential factor on the adoption of MCS that could be summarized into employees' perception of KPIs in international startups. Employees' perceptions of KPIs revolved around key themes such as attitudes towards KPI Implementation, influence of past work experience on performance management perspectives, and communication and understanding of KPIs. It was apparent that attitudes towards KPIs differ within the organization and that largely depends on how different teams interacted with them. KPIs aren't implemented in every team. Therefore, employees' attitudes towards KPIs are largely influenced by their perceived utility and direct impact on team performance and job security.

*Speaker 3: "I'd say teams have different perceptions based on how useful KPIs are (for them). The sales team is an example of where KPI's are very outcome focused. You either make certain numbers or you don't and often we use them to determine if we were going to keep the sales person or not."*

The interviews also indicate that perspectives on KPIs are more influenced by previous employers than geographic or cultural background. Furthermore, individuals from especially larger organizations tend to inherit a culture with stricter performance measures. On the other hand, the findings indicate that individuals' perceptions of KPIs adapt over time to align with the common perspective shaped by the organizational culture. In the case of CompanyX, it meant employees who came from tighter MCS had to adjust and conform with the startup's more flexible view on KPIs.

*Speaker 4: "I think there are definitely people who come from more strict working backgrounds, so they might not necessarily be used to the way that I try and run things or the way that my colleagues try and run things. So there is definitely a little bit of a weird culture clash. Some people with more formal work environments like maybe we had one person that worked for a bank, I think they were much more stringent about (KPIs). They didn't really put up a fight about it, though. They came into the team and if anything, they felt a bit weird that we weren't just as strict as what they were used to before"*

The authors found cultural aspects, such as effective communication and understanding of KPIs, to be significantly influencing employees' perspectives on KPIs. These are not just technical or administrative factors, but are shaped by and reflect the larger cultural background in which an organization operates. Multiple employees highlighted challenges in this area. The following quote clearly describes how inadequate communication of KPI descriptions caused uncertainty and confusion for employees.

**Speaker 4:** *“KPIs weren't really explained to me when I first started. I guess it was basically like I came into this job and it was something that we've always been tracking. It was like: It's always been done this way. So we'll continue to do it that way and I didn't really question it in that sense.”*

The poor communication at CompanyX arises from the assumption that employees already share an understanding of KPIs, or at least to the same extent as the management at CompanyX, leading to a lack of initial explanation. The authors found the prevalent communication gap interesting, as it highlights the necessity for tailored explanations to guarantee a wider and cohesive comprehension. This is particularly true for start-ups, as the structures are often more informal. As a result, onboarding standards, such as the communication of KPIs for new employees, are inadequate or non-existent.

## 4.2 Results Control

Furthermore, the findings depict how CompanyX's organizational culture affects MCS *implementation* through the design of results controls based on the values and beliefs of the organization. KPIs are used as guidance instruments rather than rigid performance standards, which reflects the encouraging and adaptable culture of the startup. This alignment makes sure that, instead of imposing rigid restrictions, result controls are used to promote improvement and development. We observed how critical it is to communicate KPIs effectively. Even if the startup's initial explanations might not have been the most helpful, continuous adaptation guarantees that staff members are acquainted with the company's adaptable performance evaluation strategy.

Our findings show that Management Control Systems (specifically results controls), typically discussed in the literature within the context of large organizations, was also present in the authors' case study involving an international startup.

*Key Performance Indicators in Startups.* The authors found that CompanyX has been implementing KPIs since its inception, using them as a guiding tool.

*Speaker 1: “We always had KPIs from the beginning. We looked at the numbers and performance in meetings that we had as a full team every Monday.”*

However, when asked “*why?*”. The respondents highlighted the need for KPIs as a guiding tool rather than a means for “performance scrutiny”. A number of workers emphasized the startup's practical approach to performance management, which places a strong focus on protecting workers' welfare and creating a positive work environment.

*Speaker 6: “I personally think in a small company when you're just trying to survive, it's more about just making sure everyone's OK and getting through it rather than massive performance scrutiny.”*

Furthermore, the authors found similarities to this approach on KPIs from several other employees of CompanyX. Judging by the results, the employees' approach towards KPIs appears to be coherent. They agree on a flexible and supportive usage of KPIs which focuses on general effort rather than strict enforcement or penalties.

*Speaker 4: “We don't really hold (KPIs) very strictly. It's usually off the cuff, like a rule of thumb kind of thing.”*

In addition, there is a clear distinction of how KPIs are viewed and used in each team and department. According to the respondents, the variability stems from how quantifiable their work is. Since not every outcome can be easily quantifiable, there was a prominent variability in the implementation of KPIs across teams.

*Speaker 3: “Some work makes it a lot easier to set KPIs than others...If you're looking for performance metrics, I find software engineering is a bit more quantifiable. Where you have a fixed output, it's much easier.”*

But, what the authors also found interesting was how CompanyX addressed less quantifiable tasks. Since conventional results controls are less applicable in this occurrence, managers instead pivoted to performance reviews as a substitute.

***Speaker 5:** "I don't have any KPIs put up for me that I know of. At least I haven't been presented for... but I recently, maybe a month ago had a performance review instead".*

Lastly, regarding the theme *KPIs in Startups*, the authors found speaker 3's response intriguing. They highlighted that formally, it is the managers responsibility to assert the various KPIs for each team. But, in practice the development and creation of KPIs are highly influenced by the employees.

***Speaker 3:** "Right now it's actually coming almost more bottom up and influencing what the manager is creating..."*

With regard to adaptation, the authors found that managers have actually diminished the importance of KPIs and employees are held less strictly to these. The decision was based on employees actually surpassing managers expectations, giving employees the benefit of doubt and allowing for higher levels of autonomy.

***Speaker 4:** "We've made (KPIs) more lenient because we realized that actually everyone is pulling their weight with very, very rare exceptions, and even then we don't feel like we really need to tell them how to do their jobs. Like everyone tries their best... I think we've been very lucky with this team."*

*KPIs and Management* was the second theme that emerged under the aggregate dimension *Results Control*. The authors gained a more nuanced understanding of managers' role involving KPIs. Specifically, with regard to their attitude toward missed KPIs. What the authors learned was that managers at CompanyX are in general very understanding, which can be connected to their lenient view on KPIs and the underlying no-blame-culture as specified in section 4.1.

The findings illustrate the pragmatic approach managers take. Rather than rigidly adhering to KPI targets, managers of CompanyX value a holistic view of employee contributions. This finding is significant because it underscores a more dynamic and adaptable MCS. It suggests that the organization prioritizes overall productivity and employee well-being over strict adherence to specific metrics. The flexibility and leniency toward KPIs creates an environment where it is perfectly fine for employees to have varying capacities and availability, allowing them to excel in different areas at different times.

***Speaker 4 :** "We wouldn't really care if they fell far below that target, as long as we knew they were doing something else to make up for it. Sometimes people are very busy or they come at a particular time during the week and maybe they don't have time to do a lot of transactions, but they have lots of time to do calls. And so in that case, we're very fine for them to have that balance. That's not a problem."*

The authors found KPIs to be a pivotal tool for managers to gain insight into the hidden actions among employees. It is important to clearly state that the managers at CompanyX want to use KPIs as an information tool rather than the basis for punishment. Monitoring KPIs is crucial for understanding staff performance, which is important for integrating MCS in a way that respects CompanyX's corporate culture. This strategy makes sure that KPIs are applied in a way that promotes development and progress, in line with the startup's core principles of support, flexibility, and ongoing improvement.

***Speaker 3:** "There's so much you don't see if you don't start tracking (KPIs), you have no way of knowing if someone is doing well on their shift, for example."*

In addition, the respondents further stress the benefits of KPIs from an operational evolution perspective. By having KPIs monitor actions and performance, managers are quick to assess what is working and what is not working. Thus, using KPIs as an information tool is crucial for improving operational efficiency in the observed international startup.

*Speaker 6: “KPIs are important because if things were consistently on a downhill basis, we'd have to have a really good look at it and see what is going on? It's just helped us get a better picture of how to operate.”*

The approach fits very well with the startup's need for adaptability and ongoing development. CompanyX shows that MCS are more than just measurement tools. They can also be used to evaluate critical business choices. This is achieved by leveraging data derived from KPIs and comparable metrics to improve business processes. For example, workforce planning at CompanyX makes decisions based on employee input and empirical data. By ensuring that operational planning is based on real working conditions and employee viewpoints, control measures help reflect the specific respondents' needs. This unique approach to operations is more responsive and effective since it is based on a tailored connection between the measures and employees' perceptions.

*Speaker 4: “The people we have working on the 1st lines were way faster than me and they were just really honest and willing to give that feedback and say, look, this is how long it takes us. It takes us way faster than you and we used that data and we've used that data ever since for workforce planning.”*

In conclusion, the utilization of employee feedback for workforce planning, as described by Speaker 4, underscores the importance of incorporating frontline perspectives, based on empirical observed data, in strategic decision-making. This approach enhances the organization's ability to plan effectively and adapt to actual working conditions, ensuring a more responsive and efficient operation.

Moreover, KPIs were utilized by managers to guide performance evaluations and to keep a managerial oversight.

*Speaker 3: “KPIs definitely help me as a manager to really understand when I go into a one to one what I need to check up on with somebody and it forces me to really think about their growth and their development.”*

By providing concrete metrics, KPIs enable managers to identify specific areas of an employee's performance that need attention. This structured approach ensures that one-on-one meetings are focused and productive, addressing both current performance issues and long-term development goals. In summary, the insights from Speaker 3 illustrate how KPIs serve as a valuable tool for managers to systematically track and support employee development. This approach ensures that managerial interactions are both data-driven and development-oriented, which can lead to more effective performance management and enhanced employee satisfaction.

### 4.3 Social Positive Reinforcement of Results Control

The findings reveal that the social processes which emerge from the implementation of MCS can turn into an additional source which reinforces the organizational culture. CompanyX's feedback mechanisms and motivational responses seem to illustrate the significant influence organizational culture has on the interpretation of MCS.

*Feedback.* The feedback system appears to lack formalization, relying more on employee initiative. It is a blend of informal and dynamic formal structures, which seem to reflect the organization's approach to performance management.

The authors found some divergent views on the feedback structure, and varying degrees of formalization. Initially, CompanyX relied on informal channels for employee feedback, with staff members often initiating conversations. The absence of formalized feedback sessions highlight the need for a more structured strategy to ensure consistent and constructive feedback for all employees. Another important finding was that CompanyX provided a lot of flexibility in initiating one-to-one meetings. This indicates that while there are formal feedback processes, there is also room for spontaneous and employee-initiated feedback discussions. In addition, there are differences in management style and their impact on feedback processes. Suggesting that the effectiveness of feedback processes can vary depending on the manager's employment background and approach.



*Speaker 1: “It always has to be that, those feedback sessions that are one to ones come from me asking, they are not organized. And we don't have any structure for it.”*

In contrast, CompanyX seems to have undertaken recent improvements in this regard, highlighting the evolving nature of feedback mechanisms and the importance of structured processes to ensure consistent and constructive feedback. This is marked by their recent introduction of organized performance reviews.

*Speaker 5: “I know now they have started to implement a structure for giving feedback. What's it called? Performance review. It is quite nice to get some.”*

Employees also mention the use of weekly meetings to discuss individual performance metrics. This regular tracking ensures that individual performance is closely monitored and addressed promptly. Furthermore, feedback is handled at different levels which highlights a layered approach where both individual and team performances are evaluated. In CompanyX, a regular process for team meetings is presented as a structured approach where team performance is assessed collectively before individual issues are addressed. This appears to be particularly true when the management team takes steps to establish a supportive culture where individuals feel comfortable providing and receiving feedback. Some managers emphasized that they prefer to give feedback in private, and instead desire a focus on individual feedback and problem-solving, ensuring that personal issues are dealt with privately and efficiently.

*Speaker 2: “Feedback on an individual level is discussed with the individual and potential feedback on a team level would be discussed on a team level. Like if my team would receive feedback that is something I would talk to the team about.”*

Another finding was that weekly KPI observations in CompanyX are more casual, suggesting a less formal approach to performance tracking that focuses on monitoring rather than strict enforcement, which aligns with the findings in section 4.2. In addition, the team communication platform Slack is used for instant communication. The platform facilitates real-time feedback

and quick resolution of issues, which increases the overall effectiveness of performance tracking. At the same time, it is under criticism for neglecting the person-to-person interaction that facilitates emotional preparation for feedback. Nevertheless, it is important to note that CompanyX's employees view Slack as a safe-haven for communication, independently of what content is shared. Even discussing personal issues which are affecting the work-place.

***Speaker 6:** "We look at KPIs each week, but just as an observation. Sometimes we message each other on Slack. We use Slack as an internal system and if things can't wait we have to say it right now. Like if you have a problem or if you need to tell someone something...you're just reading a chat rather than preparing for receiving feedback"*

*Motivation.* The second theme that emerged from the dimension was Motivation. The authors found KPIs to serve as a strong motivational tool in international start-ups. CompanyX seems to recognize and implement appropriate KPIs and give appreciation to the responsible teams. Seeing the tangible results of their work, such as growth and financial success, motivates employees to continue striving towards their goals. In addition, the appropriate recognition encourages a sense of achievement and motivates teams to maintain high performance, resulting in a collective effort that translates into financial rewards.

***Speaker 5 :** "Yeah. It's (KPIs) always motivating for the team. When you can see all the efforts put together that makes us grow and earn money."*

However, employees also point out the demotivating effect KPIs can have, mainly in regard to unattainable targets. CompanyX appears to have recognized and rectified such implementation errors. This shows how important it is to set realistic goals in order to maintain motivation, especially in a startup context where goals might not be easily achieved due to several factors, including resource scarcity and environmental uncertainty.

***Speaker 5:** "So every month I think we're going through if we hit the target. But we never really did because we set it too high, so it was a bit demotivating. So actually we stopped doing that"*

Another result was that the recognition through KPIs not only validates employees' contributions but also enhances their sense of worth within the company. The positive impact of feedback on validation boosts morale and encourages further contributions, reinforcing the cycle of motivation and performance. The company also seems to focus on using KPIs as a source of intrinsic motivation rather than extrinsic rewards, emphasizing personal and professional growth. These practices highlight the crucial role that KPIs play in creating an inspiring and effective work environment. By leveraging KPIs as a form of result control, CompanyX emphasizes individual and team accomplishments.

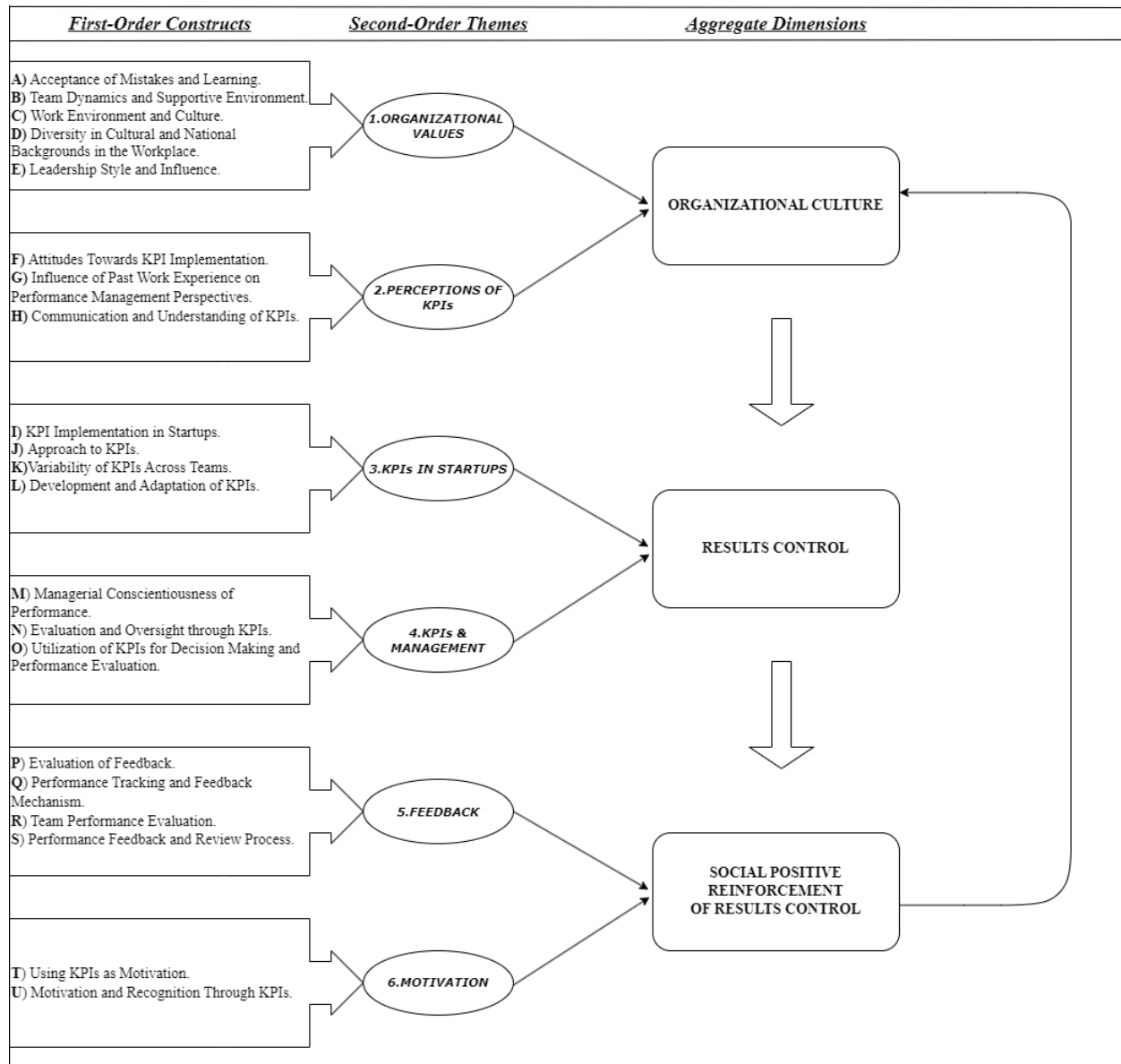
***Speaker 6:** “The positive feedback actually validates your worth in the company. It makes you feel that you are contributing and makes you feel like you want to contribute more and that everything you've done is worthwhile. Obviously there was also a pay review, so you can get paid more and that also feels validating and good.”*

CompanyX has embraced the idea that having clear goals elicits motivation. This can be accomplished by establishing specific, achievable goals that provide workers direction and a feeling of purpose and inspire them to strive for excellence. The quotes underline the importance of focusing on the positives when using KPIs. They emphasize that successes and positive results promote a positive working environment and reinforce the motivating effect of KPIs.

***Speaker 3:** “I'd say KPI was the most useful when you focus on the positives. So again, that very, very strong, kind of motivational piece.”*

## 5. Discussion

Figure 2: Visualization of Data Structure



The main findings of the study revolve around the impact of organizational culture on the application, implementation and interpretation of Management Control Systems in the context of

an international startup. In contrast to prior literature that treated these variables as distinct aspects and neglected the importance of the specific organizational environment that born globals exhibit, this research presents a framework that showcases the specific social and cultural processes affecting feedback and control decisions in organizations. Therefore not only providing a snapshot of a unique cultural milieu, but also exploring links between the prior researched theoretical abstractions. First, the general mechanisms of organizational culture will be discussed in this section. A summary of the main implications that impact result controls follows. The writers then go into detail about the nuanced ways that social positive reinforcement influences employees. Lastly the interplay between the three will be examined.

## 5.1 Organizational Culture

Our results provide evidence that the relationship between organizational culture and Management Control Systems as observed in the context of our case study within an international startup aligns with the traditional literature which is developed for larger and mature organizations. We maintain that organizational culture is the starting point for designing MCS (Flamholtz, 1996). In the context of our case study, there were clear signs from the interviews that the organization's values such as acceptance of mistakes and learning, supportive team environments, a casual atmosphere, openness to diversity, and a committee based leadership comprised part of their organizational culture. In turn, this was reflected in the design of their MCS. The managerial figures of CompanyX emphasized that their objectives with the implemented results control measures were to offer guidance to employees and enable individual autonomy.

Moreover, the employees' perceptions of "KPIs" represent their shared beliefs and social norms regarding the results control system. It was noted that employees with previous work experience shared a different perspective towards "KPIs" than those who were integrated members of the organization. However, through the socialization and integration process, the perceptions towards "KPIs" seemed to become leveled at a certain norm. Although formal communication of "KPIs" and the meaning behind them was lacking, employees seemed to have a positive attitude

towards them. The culmination of social processes that reflect the organization's shared values, beliefs, and social norms comprises their organizational culture.

Relating CompanyX's organizational culture to the Born Global entity, it is clear that the fundamental elements of a Born Global's organizational culture are visible in CompanyX's culture. CompanyX's culture which focuses on global entrepreneurship, strongly emphasizes innovation, and strives for individual autonomy.

Hence, looking at these observations through a theoretical lens, we find that they align with the theories on organizational culture in Born Globals as well as organizational culture and MCS which were developed in the literature review. The organizational culture that characterized CompanyX was that of a Born Global firm. This culture indirectly influenced the employees' perspectives and how they tackled their tasks. Additionally, using "KPIs" as a reference for performance conveys the entrepreneurial orientation and innovativeness of Born Globals which is rooted in the organizational culture to the employees and also reinforces it.

Furthermore, by aligning their organizational culture with their MCS, CompanyX succeeded with its application. The relaxed environment and supportive nature aligns with a loose results control system which facilitates its application in an international startup context early on in its lifecycle.

## 5.2 Implementation of Results Controls

The insights gathered from the interviews reveal that the managers at CompanyX placed significant importance on the early implementation of results measures and indicators which the interviewees referred to as key performance indicators (KPIs). The managers expressed the recognition of the necessity for some form of formalization even before reaching a maturity phase. Their insights align with the notion that startups implement MCS to navigate complexities and challenges inherent in growth, as suggested by Akroyd & Kober (2020) and Davila & Foster (2007, 2009).

Furthermore, Born Global firms need to expand and grow at an accelerated pace compared to other startups to maintain their position in the market and earn broader competencies (Autio et al. 2000; Hennart and Verbeke, 2022; Knight & Cavusgil, 2004). Thus, what is observed in CompanyX's implementation of "KPIs" early on in their lifecycle is congruent with the theories stated in the literature.

Based on the perspective of the managers, it becomes clear that the decision to adopt results controls early on was exercised through a flexible approach. Further analysis reveals that this flexible approach towards KPIs was shared coherently between the employees of CompanyX. They perceive these indicators not as strict benchmarks for punitive measures, but rather as guidelines that support overall effort and performance. This approach indicates that there is a collective understanding between employees that KPIs should facilitate rather than constrain their work, where a supportive use of KPIs is to enable employee autonomy and establish a supportive environment. The perceived benefits of CompanyX's approach to the implementation of results controls are reminiscent of how Akroyd and Kober (2020) and Merchant and Van der Stede (2017) state that this design of MCS is useful for enabling autonomy.

Furthermore, the managers at CompanyX acknowledge that it can be difficult and challenging to implement results measures and strictly adhere to them given the nature of the international startup environment. However, the shared emphasis on flexibility and support over strict enforcement can be seen as CompanyX's way of combating these challenges by emphasizing their organizational culture. Relating this to the literature, one could view Henri's (2006) empirical findings on organizational culture related to how CompanyX overcomes the challenges of implementing results measures in uncertain environments. The environmental (external) uncertainty challenge is pointed out by Chenhall (2003) and Merchant and Van der Stede (2017) as a detriment to the process of implementing results measures.

The development and adaptation of KPIs at CompanyX is characterized by a bottom-up influence from employees, despite the formal responsibility lying with managers. This participatory approach highlights the value assigned to the discussion process around KPIs. It reflects a shared understanding among employees and managers that effective KPI development

requires input from those directly involved in the work. This bottom-up influence also demonstrates the employees' sense of ownership and agency in the performance evaluation process. This feedback approach aligns with Simons' (1995) approach which emphasizes that managers need to communicate, discuss, and revise their performance measures with the employees.

Moreover, Managers at CompanyX use KPIs to gain visibility into employee performance efficiency while iterating that KPIs are not merely tools for surveillance. This approach aligns with the concept that MCS should guide rather than directly control behaviors (Flamholtz, 1996). KPIs at CompanyX are seen as instruments for facilitating insight and improvement rather than instruments of control. The dual role of KPIs reflects Simon's (1990) view of MCS as tools for both strategy formation and operational control.

To sum up, the findings reflect a movement toward normative control, where cultural norms and flexibility play significant roles (Rennstam, 2017). The adaptive and lenient use of KPIs at CompanyX supports a autonomy and employee initiative, aligning with Rennstam's observations on the evolution of organizational control. The discussions at CompanyX about the flexibility of KPIs and the managers' understanding of external factors impacting performance resonate with Chenhall's (2003) view of performance measures in uncertain environments. This reflects a nuanced approach to results controls that take into account external variables beyond employees' control.

### 5.3 Social Positive Reinforcement

Some engaged employees and managers at CompanyX excitedly embrace KPI's implementation. The motivational role KPIs play in creating an inspiring work environment that acknowledges accomplishments and enhances morale helps employees push themselves. This outcome is supported by Merchant and Van der Stede's (2017) claim that results controls can motivate behavior by promoting activities that maximize intended organizational outcomes, as well as Akroyd and Kober (2020) affirmation of well-defined performance goals' motivational power. Additionally, when employees become demotivated because they felt that the targets were set too

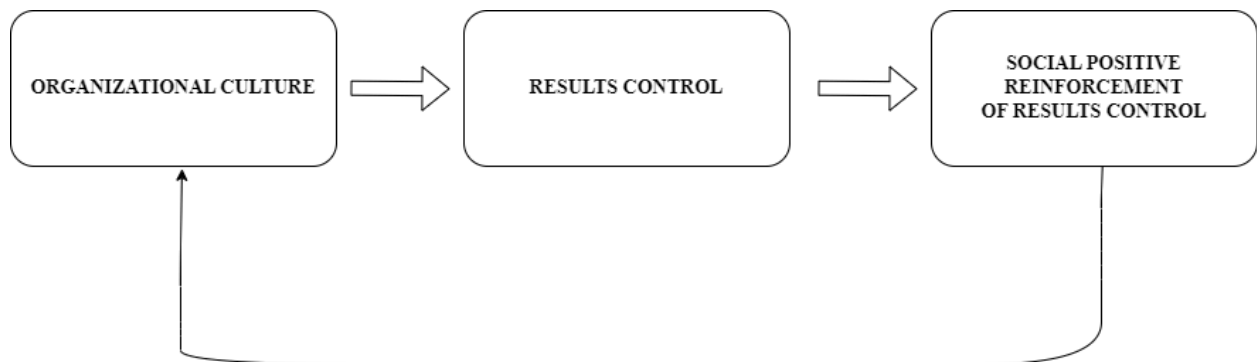


high or difficult to achieve, they communicated their thoughts to management through their feedback channels. Thus, managers started practicing frequently revisiting their performance targets to ensure that they are reasonable, reflecting Chenhall's (2003) recommendation for setting realistic goals to align with organizational objectives and employee well-being.

Furthermore, employees at CompanyX appreciate that their work environment supports collaboration and offers them a direct line of communication to their managers through both formal and informal feedback procedures. They are able to address their concerns and opinions regarding performance, motivation, and KPIs which made their experience with results controls as positive. This mutual feedback process is similar to what Simons (1995) describes as an "interactive" control system that needs to be discussed and challenged continuously with the members of the staff.

## 5.4 Feedback Loop

*Figure 3: Feedback Loop*



The interpretation of the results control system at CompanyX is observed through the positive social reinforcement that emerged from the feedback process and motivational response. Figure 3 illustrates the dynamic feedback loop observed in this case study where organizational culture, results controls, and social positive reinforcement interact and reinforce one another. The resultant positive social response bolsters the organizational culture by conveying and embedding principles such as transparency, innovation, and acceptance of mistakes into the fabric of the company. Regular feedback, recognition, and attainable goals create a supportive

environment where employees feel motivated and encouraged, which in turn, enhances engagement and productivity. This phenomenon observed in the context of an international startup matches the findings found in Management literature on mature organizations. Scholars like Bihimani (2006) speculate that the success of MCS is influenced by the alignment between organizational culture and MCS. Furthermore, Flamholtz (1996) suggests that a Management Control Systems both conveys and reinforces the established organizational culture rooted in the organization's values and beliefs. The alignment between CompanyX's organizational culture and their MCS was pivotal in the success of its implementation, and in turn, the emergent positive social response further solidifies the inherent values of their organizational culture.

## 6. Conclusion

The last section will open with a summary of the main conclusions of this work and a discussion of how well the goals of the paper were met. Practical ramifications will then be discussed. Lastly, recommendations for additional research will be made in consideration of this study's shortcomings.

### 6.1 Key Findings

The preceding study highlights the noteworthy influence of organizational culture on the adaptation, implementation, and interpretation of Management Control Systems in a global startup. The design and perception of results measures and indicators, which were referred to as Key Performance Indicators, are directly influenced by CompanyX's culture of acceptance of mistakes, supportive work environment, and innovativeness. This results in a flexible and encouraging approach that promotes employee autonomy and positivity. The results of the study demonstrate the critical role that motivational techniques and feedback mechanisms play in sustaining these cultural norms and boosting MCS's overall efficacy. In summary, it is observed that organizational culture can have profound impact on: 1) The application of MCS in international startups by anchoring core values in day-to-day operations, 2) The implementation of MCS by aligning result controls with these values, and 3) The resultant social positive interpretation of MCS which is then again reinforcing the company's organizational culture.

These insights showcase the distinct dynamics found in an international startup while also being consistent with theories already in place about organizational culture and MCS.

## 6.2 Research Aim and Objectives

This study's main goal is to investigate how organizational culture in global startups influences MCS application, implementation, and interpretation. This goal has been successfully achieved by an extensive qualitative analysis. For academics and professionals in the field of international business and management, the study offers a clear framework that connects organizational culture and MCS in the setting of an international startup.

## 6.3 Implications

The study's conclusions have a number of implications. Firstly, in international startups, the success of MCS is contingent upon its alignment with organizational culture. MCS may be made far more effective for managers and entrepreneurs by cultivating a culture that values adaptability, learning, and creativity. Secondly, it is critical to put in place organized but flexible feedback mechanisms. Establishing a culture of continual growth and accountability can be achieved through transparent performance tracking and regular, well-organized feedback sessions. Thirdly, increasing motivation and output can be achieved by fostering employee autonomy through a flexible and supportive approach to KPIs. This strategy improves overall engagement and performance by giving workers a sense of trust and value. Lastly, accepting and valuing the diverse range of cultures inside the organization enhances its culture and has a beneficial impact on MCS. Diverse perspectives facilitate the development of more creative and efficient management techniques.

## 6.4 Limitations and Future research

Even though this study offers insightful information, the paper's conclusions cannot be applied to a larger sample size because it is based on a single case study. To confirm and build upon these findings, other case studies from various business sectors and geographical areas should be

included in future studies. Moreover, this research only presents a snapshot of the current state of MCS and organizational culture in an international startup. To investigate how these dynamics change over time and affect the long-term success of organizations, longitudinal studies are required.

Although the intricate relationship between organizational culture and MCS was better understood through the use of qualitative approaches; quantitative analysis could strengthen the conclusions and enable statistical generalizations in subsequent research. To understand the wider application of the findings from this study, a further investigation into the presented social processes in various organizational contexts is necessary. To enhance the comprehension of the wider relevance of these discoveries, more broadly applicable insights may be obtained from comparative studies involving multiple startups.

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## 8. Appendix

### 8.1 Appendix 1: Authorship Statement

The authors, Amr Ghazal, Greta Wanner, and Sture Larsson Riis, hereby declare that this Bachelor's thesis titled *A Qualitative Exploration of Organizational Culture and Management Control Systems in International Startups* is our original work, conducted under the supervision of Christina Lüthy. All sources used and referenced in this thesis have been properly acknowledged and cited. All data, findings, and conclusions presented in this thesis are genuine and based on the empirical evidence gathered. For all sections of the thesis, all three authors were involved in the idea generation, the refinement and the writing process.

Amr Gazal, Greta Wanner, Sture Larsson Riis

International Business

Lund University

21/05-2024

### 8.2 Appendix 2: AI Usage statement

AI tools have been used in writing this paper, mainly OpenAI's ChatGPT-3.5. It has been used for some text throughout the whole paper to improve clarity and structure. Additionally, it has been used for feedback and advice to help the authors check whether the text that has been written is an actual representation of the vision they have in mind or not. It is noteworthy to mention that the advice given by Chat GPT wasn't taken at face value since there were some noticeable inconsistencies with its responses.

Examples of prompts used:

- Is this text clear and easy to understand?
- How can we break this long sentence to make it clearer and easier to understand?
- Could you check the following text for grammatical errors?
- Does the following text have a funnel structure? Could you describe what you think this text's funnel looks like?
- Is there a better way to restructure this text?
- Do you see a narrative in the following text? Is it a good one or is it fragmented?
- Could you read the following text and tell me if the social processes discussed are being described/interpreted or if instead it seems like they are being explained?
- Consider yourself an employee at a firm being interviewed. If I asked you this interview question, do you think you would have a lot to say (provided that you are the right person to ask about this)? Is there a better way I could phrase this question so that you would talk a lot and be open to share more information?
- Do you think the way this topic and its challenges are framed are engaging? Would you be interested in learning more about organizational culture and management control systems in startups after reading it?

## 8.3 Appendix 3: Interview Guide

### **Employee:**

Tell us about yourself

- What do you do at the company?

How long have you been with the company, and what departments or teams have you been a part of?

- Is it still the same since you started?
- Has your role changed?
- Has the environment changed ?

Does your company use KPIs to track employee performance?

- What kind of KPIs do you have? Individual and/or team KPI.

What do you think about KPIs?

- How has your experience been regarding such performance measurements?

How were they explained to you?

- How have these KPI processes changed during your time here?
- Do you have some examples?

Could u tell us a little bit about ur team environment

- How is diversity in your team? ( e.g. Do u all come from different cultures, countries)

Do you feel like different people in the team have different perspectives on KPIs?

- Do you maybe have an example?
- Do you feel this is due to your different backgrounds or do you think it's something else ?  
and then what? and where does that maybe come from?

How have these Kpis impacted your team as a whole?

How have these KPIs impacted your team experience ?

- Were there any conflicts?
- Could you elaborate on a situation where this conflict arose (are you also measured in a team? or just individually)

Would you mind walking me through the process of how you receive feedback?

- In what way and in what setting?

Could you tell us about a time when you were happy with the feedback?

- Can you explain that time?
- How did this affect you?
- How did you feel about it ?

Could you also tell us about a time when you were not particularly happy with the feedback you received?

- How was that experience?

Do you openly discuss feedback within your team?

Could you tell me how your team creates a supportive environment for each other?

Is there something that we did not ask about that you think we should ask if and that you would like to tell us more about?

**Manager:**

Tell me about yourself

- What do you do at the company?

How long have you been with the company, and what departments or teams have you been a part of?

- Is it still the same since you started?
- Has your role changed?
- Has the environment changed ?

Does your company use KPIs to track employee performance?

- When did you first implement KPI's or any form of metrics in the organization?
- What kind of KPIs do you have? Individual and/or team KPI.

What do you think about KPIs?

- How has your experience been with implementing KPIs and using them regularly?

Why did you think that it was a good idea to implement them?

- How have these KPI processes changed during your time here?
- Do you have some examples?

What were some of the challenges of implementing KPis throughout the organization?

Could you tell us a little bit about your team environment

- How is diversity in your team? ( e.g. Do u all come from different cultures, countries)

Do you feel like different people in the team have different perspectives on KPIs?

- Do you maybe have an example?

How have these KPIs impacted your team as a whole?

- Were there any situations where KPIs or the interpretation of KPIs created any conflicts between people?
- Could you give us an example?

Would you mind walking me through the process of how feedback is given to employees?

- In what way and in what setting?

Could you tell us about a time when the feedback process helped improve the team environment?

- How did this affect you?
- How did you feel about it ?

Could you also tell us about a time when there was a misunderstanding due to the feedback procedure?

- How was that experience?

Do you openly discuss feedback within your team?

Could you tell me how your team creates a supportive environment for each other?

Is there something that we did not ask about that you think we should ask if and that you would like to tell us more about?