



**LUND UNIVERSITY**  
School of Economics and Management

**Preferable levers of control between  
management levels in post-merger integration context**

A case study in an Asian factory of a multinational corporation

by  
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# Summary

**Title:** Preferable levers of control between management levels in post-merger integration context - A case study in an Asian factory of a multinational corporation

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**Purpose:** This thesis examines Management Control Systems in post merging situations. The company which is the case study has restructured its organization by merging two divisions. Hence, the purpose of the thesis is to investigate how the Management Control System has been changed after integration. The main research question is related to the design and implementation of MCS by middle management after integration. The main research question is followed by another sub question which examines how middle managers can influence the top managements' decision.

**Methodology:** A single case study which uses a qualitative research strategy. Empirical data are collected by conducting structured and semi-structured interviews with an anonymous company and are analysed in accordance with the developed framework.

**Theoretical perspective:** We have developed and adapted our own framework, which is composed of previous theories. Its focus is on the change of management control system impacted by integration. The developed framework includes the enabling and coercive control. Moreover, our framework is extended with the four levers of control by Simon's LOC framework.

**Empirical foundation:** The findings which are presented in Chapter Four are based on the data collected from the interviews with eight employees of the company. The employees that we have interviewed have been employed in the case company before the decision of merging was made. Hence, they have experience with both management teams of two periods. To make our thesis more convincing, we have provided quotes, which are collected from the emails.

**Conclusions:** We found that there is evidence and rationality that different management levels will have their preferable MCS to direct the whole organisation to achieve the strategic objectives. The top management will refer to using boundary and diagnostic control systems in Simons (1994) LOC to coercively formalise the new processes and rules for the subsidiaries while the middle management will use mostly belief systems and interactive systems as key tools to upward influence top management future decisions about the emergent strategy.

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<i>Respondents</i>	<b>Position</b>	<b>Communication</b>	<b>Duration</b>
<i>Respondent 1</i>	APAC Regional CFO	Zoom meeting & emails	60 minutes
<i>Respondent 2</i>	Factory director	e-mails & phone calls	45 minutes
<i>Respondent 3+4</i>	Chief Accountant & Accounting supervisor	e-mails & phone calls	30 minutes
<i>Respondent 5</i>	Accountant specialist	e-mails & phone calls	15 minutes
<i>Respondent 6</i>	Purchasing specialist	Phone calls & messages	15 minutes
<i>Respondent 7</i>	Process engineering	Phone calls & messages	15 minutes
<i>Respondent 8</i>	Mechanical engineering	Phone calls & messages	15 minutes

## **Glossary**

<b>M&amp;A</b>	Merger and Acquisition
<b>MCS</b>	Management Control System
<b>PMS</b>	Performance Management System
<b>PMI</b>	Post-Merger Integration
<b>LOC</b>	Levers of Control
<b>CFO</b>	Chief Financial Officer
<b>CEO</b>	Chief Executive Officer
<b>COO</b>	Chief Operating Officer
<b>WWFC</b>	Worldwide Financial Controller
<b>HQ</b>	Headquarter
<b>APAC</b>	Asia Pacific
<b>VP</b>	Vice Principal
<b>The Group</b>	Ultimate Parent Company



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# **1. Introduction**

## **1.1 Background**

It has been more than half of a century since 1965 when MCS definition was introduced by Anthony as a control mechanism that organisations have to achieve their strategic objective (Anthony et al, 2014). Since then, many researches have been building from this pillar with the majority using contingency theory to explain the effectiveness of a MCS putting in continuously changing situations (Chenhall, 2003). One of them is mergers and acquisition (M&A), which is an integral part of the global business where two companies are consolidated and their importance appears in different aspects such as social, strategic and monetary (Jordão, Souza & Avelar, 2014). Before M&A, individual divisions would have their own strategies, cultures and management teams. After M&A happens, or post-merger integration (PMI), all of the aforementioned aspects must find a good way to combine themselves, or even eliminate some obsolete factors, so that the new organisation can work fine together as a musical harmony.

A successful M&A has major impacts on the organization's future direction as itself, a strategic investment decision, involves significant long-term commitments on different aspects such as constructing new organisational structures, allocating scarce resources and required actions (Northcott & Alkaraan, 2007). Therefore, it would make sense to opine that after the integration, an organization must have a new specific strategy in order to stay competitive in their operating markets (if they would not have done so before the M&A). In order to achieve the decided strategy's objectives, a suitable management control system must be in place. This view already existed from Anthony's 1965 original work (Anthony et al, 2014), Simons (1990) shared the same view and gave a major contribution to the relationship between strategy and management control systems. He developed his MCS framework with four categories of beliefs, boundary, diagnostic and interactive through a series of longitude research observations with different organisations and their respective strategies (Simons, 1994). Using the framework, he recognised that, along with external uncertainties, MCS becomes contextual levers for top management to renew the strategy. This view is also supported by Davila (2005) when he argued that MCS is like a mould that dictates employees' behaviours and actions that shape the emergent strategy from the original one.

In PMI, MCS play a critical function and should be designed according to the selected strategy in order to suit both companies or divisions (Jordão, Souza & Avelar, 2014; Nilsson, 2002). For instance, internal transparency (Adler & Borys, 1996) has a special role in the PMI, as it stabilizes

the uncertainty and insecurity among the employees in the integrated company by providing them visibility for the new internal processes. Hence, the managers should ensure consistent and frequent communication to engage and motivate the employees. From Adler and Borys (1996)'s taxonomy about internal and external transparency, Ahrens and Chapman (2004) pointed out that transparency can be used in a way to balance efficiency and flexibility, hence can help the organisation easily achieve their settled strategy. Therefore, managers and executives need to design and use MCS to be understood by employees and not to focus only on exploiting synergies. However, the focus from academic literature on the use of MCS in the PMI context still remains infrequent. Therefore, the PMI situation provides a very interesting undiscovered land for our research when at one hand, the current strategy and its wingman MCS needs to be changed to adapt with the new circumstance, on the other hand, the new strategy and its new subordinate MCS should have some relationship with the former ones.

PMI usually leads to a change in an integrated corporate structure, which in turn will decide the performance measurements of the organisation (Ferreira & Otley, 2009). We totally agree with this view that organisational structure together with strategy are prerequisite for the selections of specific performance measurements for a company. Nevertheless, we would have a view that these performance measurements, in fact, are a subcategory of a more holistic MCS. This opinion of us is influenced mostly by Simons (1994) and Malmi and Brown (2008) because it will provide us much more opportunities to discover the affiliation between MCS categories and how these groups are used by different management teams when put in the PMI context. In addition, the integration type of horizontal or vertical requires key managers to use specific performance measurements and MCS in order to achieve favourable outcomes (Pellinen et al, 2016).

As MCS are decided and used by different levels of management, thus the perspectives and focus, even bias, between managers are also diverse. Ouchi (1979) propounded that some of the control forms must have specific prerequisites in order to work properly in reality. For example, legitimate authority set by rules is required for bureaucracy control to be in place. This explains why newly appointed top managers usually used this mandate to implement their own lever of controls (LOC) to renew the current strategy (Simons, 1994). However, both Simons and Ouchi did not take into account the role of middle managers, who in fact can have an influence on strategy (Floyd & Wooldridge, 1997) and therefore, the MCS. Another add-in role of middle managers is about their existence which also can represent a symbol which forms an organisational culture (Alvesson, 2013) for respective divisions under their responsibility. And with many papers already discuss about organisational culture, it is considered a part of MCS but in different category depends on the authors' taxonomy (Hopwood, 1976; Ouchi, 1979; Simons, 1995; Malmi & Brown, 2008; Merchant & Van der Stede,

2012).

Malmi and Brown (2008) opined that one control system can be a contextual frame for other controls. One of their examples is culture control as it is assumed to be slow for changing. In the framework of Ferreira and Otley (2009), we can observe that the organisational structure plays a fundamental role to decide key performance measures in which if we put in the Malmi and Brown (2008)'s view would be under administrative controls. Putting these challenges into the practical business situation of internal integration or M&A, we may obtain much more understanding how these MCSs can configure with each other and their relationships when top strategic objectives are changed and implemented through different layers of organisational structure.

## **1.2 Problematization**

There are many problems that can hinder a successful PMI such as mismatch between performance measurements and management practices (Micheli et al, 2011), improper implementation of management accounting system (Granlund, 2003; Jones, 1985), or intensive cultural clash (Jordão et al, 2014) between the acquirers and acquirees. To counter these challenges and ensure a successful vertical integration, all the related parties should be aligned with one strategy and work as a single entity (Pellinen et al, 2016) which prompts all management levels of the organisation to act in solidarity.

When breaking down the chain of command into top and middle management and putting PMI context into that, we will face differences between organisational hierarchies and geographical distribution which cause separation between top and middle managers even though they are both trying to create alignment to fulfil the company's key objectives (Labianca, Gray, & Brass, 2000). Especially in global companies, finding the same voice between headquarters and their subsidiaries is one of the biggest challenges to align local business with global corporate strategies (Devinney et al, 2000). Another challenge of a PMI is how the middle management team will react and interpret these new major changes in the organisational structures they are working. The business company may follow a new "federalist" structure which gives the middle level managers more autonomy (Handy, 1992) or a more formalised and coercive structure which binds them in a smaller boundary to prioritise efficiency (Adler and Borys, 1996). Another issue is about organisational culture, as Alvesson (2013) pointed out that there is rarely a homogeneity culture within a company but often a set of different cultural orientations due to national or industrial factors. Thus, the perspectives from the middle management can vary from their bosses even if they both observe and experience the same incident and information.

Therefore, the roles of middle management in the PMI must not be neglected since they are the core team who are trying relentlessly to integrate their roles and responsible divisions to fit with the new organisational structure as well as align their responsible divisions to follow the general direction from the top management.

Facing these difficulties, the middle management will lean on their most favourable MCS to achieve the PMI strategic objectives (Anthony et al, 2014). Nevertheless, MCS academic papers (Hopwood, 1976; Ouchi, 1979; Simons, 1995; Malmi & Brown, 2008; Ferreira & Otley, 2009; Merchant & Van der Stede, 2012) mostly build their frameworks based on a homogeneous view from the top management rather than breaking down the organisational structure to compare the different usage method between manager levels. Thus, when these frameworks are applied to specific management levels, we can obtain a better interpretation whether different hierarchy levels would use their favourable control systems rather than others although they all have the same target to achieve the company's ultimate strategy.

## **1.3 Research and contribution**

### **1.3.1 Research purpose and questions**

In this paper, we observe and analyse to gain more understanding of how MCS are used between management levels putting in the contextual PMI after an integration between two divisions of a corporation. Our focus is on how middle-level management elaborate their own MCS while they also need to satisfy and align with instructions from top management during a PMI contextual change. In addition to support this point, we explore and observe whether there are any changes in the usage of MCS during PMI between top and middle level managers and how they are balanced to create the organisational harmony. Our research questions are as follow:

*1. How does the middle management level design and implement their own MCS after an internal organisational integration?*

To clarify further our main research question, we develop another research question as below with the hope that the answers can be viewed as an important puzzle piece to complete the whole picture.

*2. How can middle managers channel their upward influence to top management's decision and strategy hence the former ones can have more space to design and implement their own MCS in their responsible divisions?*

### **1.3.2 Research contribution**

We humbly hope that through this paper, we can contribute to existing literature by navigating the practical use of MCS between management levels. When breaking down the management team between top and middle level, we spotted the different usage of MCS between them when putting in a contextual PMI can help us to understand how MCS is used in a specific situation as outlined by Simons (1994), Malmi and Brown (2008). The roles of middle managers when linking with strategy and then MCS which is still a rare approach although their roles in organisation study field are well documented (Floyd & Wooldridge, 1997; Balogun & Johnson, 2004). Thus, our contribution through analysing the involved management levels in a specific contextual situation may provide a more unambiguous picture about how MCS is practising in the corporate world.

### **1.4 Outline**

The thesis covers six chapters and is structured as follows. The *Methodology* section is the second chapter of the thesis, in which we describe the research method and its limitations. Chapter two is followed by the third section of *Theoretical Framework and Literature Review*. In the third section, appropriate aspects of management control and post-integration effects are introduced from a theoretical perspective. The fourth section is *Empirical Findings*, in which we have described our case company. Moreover, in the fourth chapter findings from interviews with the employees of the company are presented. The findings will be discussed in accordance with the existing literature and our selected frameworks in the *Discussion*. In the sixth chapter of *Conclusion*, we summarize our two research questions.

## **2. Methodology**

### **2.1 Research approach**

Our thesis is a single case study and the decision on the research design is based on some different aspects. Firstly, as Gustafsson (2017) has stated, a case study is very intensive and focuses on a special unit. Moreover, a single case study is applicable when the research aims to understand an actual phenomenon. Hence, we are seeking to investigate a real phenomenon, which is based on merged divisions. According to Retolaza and San-Jose (2017), a single case study contributes to put forward hypotheses without having extraordinary data. Hence, the hypothesis of a single case study may perform as possibilities in the future research. Secondly, according to Baxter and Jack (2008) a case study is used when the focus is to explain the questions “how” and “why”. Moreover, Yin (2009) emphasizes that a case study method is used when the questions are in depth examined and analysed. Regarding the category of research design, qualitative research is one of two types which has an unstructured nature being more flexible than quantitative research. In addition, qualitative study is defined as not using numerical data and it uses different analytical techniques to transform non numerical data into information (Lê & Schmid, 2019). We choose to have qualitative research as it enables a deeper focus on data and allows the exchange of experience between the researchers and participants of the interview. Additionally, Retolaza and San-Jose (2017) have emphasized that a single case study or qualitative analysis is used to understand complex situations in day-to-day activities of the company, without being influenced by other factors. Hence, we decided to analyse a single case study method to examine our research questions.

### **2.2 Research design**

#### **2.2.1 Case selection**

Concerning the general criteria of our case study, the research question is to identify how the management control system is designed and implemented in a lower-level factory after two divisions of it are being merged. Our focus is on the management control system of the old and new organizational structure. Hence the old and new system will be compared in the lower-level of the parent company and the comparison will assist in the impact of structural change.

At first the case company that we have analysed was composed of two divisions, which were located in different countries, hence we expect that their geographical distance affected how its divisions were controlled according to the countries’ culture. After the decision of top management, the two divisions of the parent company integrated in one. Thus, the case company fulfils our selection criteria

to investigate the adjustments made in the management control system and performance management system of the company, as the merging was followed with a new management and headquarter team. Before the structural change, all of the departments of the two divisions were separated and managed accordingly. Furthermore, the company suits well to our topic as the integration has occurred almost six years before, hence the changes in MCS could be identified and moreover analysed in accordance to our research question. Additionally, the employees that we have interviewed have been employed in the company since before merging occurred, hence their information would be valuable to us.

The case company is a leader in the global technology market, as it is all about capturing automatic data in factory automation markets. The success of the market leader in technology is not a coincidence, as it dates back to the 1970s where they firstly pioneered in the European markets in the production and design of electronic devices for textile, ceramic and packaging industries. During the 80s, they expanded their horizon introducing optical scanners which are heavily used nowadays and dilated their influence in America, Oceania, Asia and Africa. After subsidizing within a company operating in the Asian market in the 90s, they started being the first creators of self-shopping solutions and that was considered as the turning point for the company. In the 2000s, the organization was not only a worldwide distributor, but started to grow and merge with other companies in the Swedish, American and Asian markets. The key to their success is their dedication to customer needs and services, followed by product quality and their investment to Research & Development. Today, they have approximately 3,000 employees worldwide distributing their products in 27 countries with 9 manufacturing and repair facilities covering the America, European, and Asian markets headquartered in Europe. The history and present show the path of this company, but the future is going to make the difference in the industrial automation market and take the lead in their products and services at a higher stake.

### **2.2.2 Data collection**

Data collection was the process in which several steps were undertaken in order to identify and develop our own framework (See Figure 1). At first, we searched for different frameworks in the existing literature and several frameworks were considered. After reviewing our research question and setting the criteria for framework selection, we narrowed down the frameworks and selected the one that was fitting to our topic. Therefore, we started to adapt and develop our own framework, which will be discussed in Chapter 3. The theoretical framework was used to organize the interview with the company's representatives and to set up the interview questionnaire (Appendix C to F).





*Figure 1: Process of framework selection and adaptation*

Starting over the interview which is the verbal exchange of information (Rowley, 2012), in which two or more persons develop the conversation and the information acquired to the interviewee is collected. According to Qu and Dumay (2011), when designing the process of interviewing many factors should be considered, such as interview type, number of interviewees and how the collected data will be analysed. Another important factor is language, which influences the set of data, hence even if the interviewer and the interviewee speak the same language, meaning of the words can be expressed differently (Qu & Dumay, 2011). At first when we planned to interview the employees, we considered conducting the interviews in all types: structure, semi-structured and unstructured. During the preparation for the interview, we decided to conduct both semi-structural and structural questions. Semi-structured interview is frequently used as it is flexible providing adaption of questions regarding the interviewee. Hence, the interviewer has the possibility to modify how the questions are asked in order to collect as many responses. Moreover, the semi-structured interview is adaptable in allowing the interviewees to respond to the questions with their own terms (Qu & Dumay, 2011). Meanwhile, structured interviews are shorter and transmitted in the same order to each of the interviewees (Rowley, 2012) and the data from structured interviews are straightforward (Qu & Dumay, 2011). Hence, depending on the employee's preference we proceeded with the interviews. The questionnaire also included quantitative questions and we have used the five-point Likert scale. Thus, one is low and five belongs to high. The reason why we have chosen to use from one to five instead of being broader, was because of the simplicity and more commonly used (Bryman and Bell, 2015). The quantitative questions were used as supportive questions to the qualitative questions.

Initially, the questionnaire was provided to the interviewees after scheduling the interview. In the research from Rowley (2012), questionnaires have the advantage of collecting data faster than other possibilities. The initial contact with two of the employees of the management level was established

by email. Therefore, an email was sent to the regional CFO which contained a short introduction of us and our topic. After we had sent the email, the regional CFO approved to share valuable information with us, without disclosing confidential information of the company. Hence, an additional email was sent containing two Word documents. One of the files included general information about Management Control System, in order to clarify the perspective of the topic to the interviewees. The other word document contained the questionnaire in two languages. Languages used in the interview and the questionnaire are English and one of the authors' native language which is part of the Asian language, hence when the data was collected in the other language, we translated the information into English. The same procedure was followed for the factory director as well. The interviews with the other employees were appointed after the responses from the top-level manager. The interviewees who participated had an interest in being interviewed and responded to our structural and semi-structural questions. The questionnaire comprises general and open questions about MCS for both periods before and after structural change. Hence, answering the same questions placed in two different periods of the lower-level would provide us with valuable information. In total, eight interviews were conducted with the selected employees.

### **2.2.3 Selection of the interviewees and the interview process**

The strong focus on the MCS aspect within the merged division links to the important criteria of selecting the interviewees. Each interviewee must be involved in the management control system, as we expect from them to provide information of high quality. The principle of ethical conduct was the other criterion, hence the interviews with the employees fulfilled the ethical conduct. In order to fulfil the ethical agreement among us and the participants, both the name of the company and the employees are kept anonymous. Regarding the voice recording, at first, we asked permission from the participant that we interviewed via Zoom, hence we would have the possibility of listening repeatedly and taking notes. After being rejected by the participant to be recorded, we ensured to write notes during the interview. Concerning the other data collection via email, phone calls and messages we ensured that they would be deleted once that our study was finished. Thereupon, the ethical requirements were accomplished.

Empirical data gathering was ensured through the questionnaires. At first respondents were chosen based on the personal networks from one of the thesis authors. The choice of the interviewees was made consciously in order to provide us with quality answers. Hence, their responses are functional to our topic and ensure satisfactory findings. The targeted persons were either in top management positions or had access to the decisions of the top management. The lower-level representatives have been engaged in the M&A transaction of the two divisions, hence they have experience on both

management's perspectives. Hence, six from eight persons that we interviewed have an accounting professional background and are directly involved in the management process of the company. The other two employees have an engineering qualification.

The interviews were conducted through Zoom meetings, emails, phone calls and using Facebook chat due to the pandemic situation and geographical distance. The interview with the CFO was conducted via Zoom which lasted an hour and was followed with many emails. While, the interview with the factory directory took place via phone call after responding to the questionnaire. Same procedure was followed for the chief accountant, accounting supervisor and accounting specialist. The interview's length was between 30-45 minutes on an average. The rest of the information was collected via interviews which were conducted via phone calls and messages after the participants responded to the questionnaire via email. The average length of interviews was 20 minutes and in order to be clarified one of the authors discussed with the participants via messages. Regarding the quotes used in the thesis, they are derived from responses returned via emails and messages of the top and middle level employees, while from the low rank employees collected data derived from the survey questionnaires. In research from Krouwel et al. (2019), video calls have many advantages. Firstly, the interview occurs at the same time hence it is a synchronous experience among the interviewer and the interviewee. Hence, all participants have a face-to-face interview even if their location is in different geographical positions. Being cheap is another strength of video call as travelling is not required. Regarding email, it gives to the interviewee the possibility to review and reflect about the responses and the interviewer has a chance to review the questionnaire. There are not many articles which approve the telephone to be used as a tool of interviewing, still phone calls are used to collect data. Cachia and Millward (2011) emphasize that phone call communication is similar to the semi-structured interview and the textual transcripts provide rich data which are used in the qualitative analysis.

#### **2.2.4 Data analysis and presentation**

By collecting thoughts and key concepts in Asian in combination with the meetings held in English, we were able to classify the relevant information and dimensions as developed in the *Theoretical Background*. Still, the direct quotes are used in the *Empirical Findings*. The information used as empirical data is analysed and findings are reported at the section of *Empirical Findings*. Furthermore, the empirical findings are discussed related to the previous literature and presented in the *Discussion* section.

To analyse and present the collected data from the interviews we read the notes and messages repeatedly. Hence, we minimized the possibility of not covering all the information needed. The notes

were reviewed frequently, until we started to write the detailed analysis of them. Frequently reading helped us to classify the most important information and to identify quotes used by the participants. Hence, we were able to use quotes and present them in the empirical findings.

Presentation of our empirical data was based on our developed framework. At first, we introduce the case company and its structure in both periods. We used charts to illustrate the company's structure, hence it would be easier for the readers to understand and follow the text. Furthermore, we included participants' opinions of both periods before and after integration. Hence, the reader could understand the text and findings more easily. When analysing and discussing the collected data, at first a general conclusion is introduced which is developed from the empirical findings. The analysis of empirical findings is followed with the comparison of it with the existing literature. Hence our objective to answer the research questions and conclude the analysis is fulfilled.

### **2.3 Validity and reliability**

In order to evaluate the validity and reliability of a qualitative study, Bryman and Bell (2015) suggest four tests to be used. The four tests should be examined in order to ensure the trustworthiness of a qualitative study. Hence, credibility, transferability, dependability and confirmability should be fulfilled in order to provide trustworthiness.

Principal of credibility involves the validity of the findings and results of the research; hence it presents the trustworthiness of the study. According to Bryman and Bell (2015), the credibility of the research influences the acceptability of it. In order to boost the credibility of our research, we have interviewed different levels of employees with different functions, in order to minimize the possibility of biased information. According to our framework, the focus should be mostly on high-level management and manager, which influence the selection of the interviewees by limiting it. However, we excluded this limit by interviewing employees from all levels and also employees who do not have a management background. Hence, we conducted eight interviews who had a different background, which influences their opinion and perception of the interview. According to Yin (2018), data analysis is another factor affecting the validity of the study, hence the conclusion of the study has credibility as the data collected. To analyse the data collected and ensure credibility we used the collected information from the structured and semi-structured interviews, as well as the ongoing communication via emails and other sources. By using the collected data and notes from the interview, we were able to utilize quotes and use them in the empirical section. Hence, we give the possibility to the reader to make judgments and give opinions on the conclusions of the researchers.

Transferability is the principle of generalizing findings of the qualitative research or how the results can be transferred in the other contexts (Bryman & Bell, 2015). In general case studies are criticized for not being able to generalize the result of their investigation. This critique is rather related to the single case studies. However, the single case study that we are investigating is not used to generalize the results. Rather, the findings are used to generalize theories. Furthermore, we consider the findings and conclusions of this study as part of future research.

Bryman and Bell (2015) define the dependability of the study with the question of whether the same result will outcome if the same study will be examined frequently. To ensure the reliability of the study, we have provided the appropriate documentation of the methodological procedures. Hence, we have provided information on our choice for the research approach and design. Furthermore, we have provided the interview material, which could be used by future research to analyse and interpret the collected data.

Objectivity is the last principle to be satisfied in order to ensure trustworthiness. Hence, satisfying objectivity as principal, the researchers should not personally influence the results of the study and they should be loyal to the investigation (Bryman & Bell, 2015). In line with the objectivity, we confirm that the final results of the study are not influenced by our opinions.

## **2.4 Research limitations**

Limitations are raised from the early stages of the process. The first limitation is the sample size, in which we have a single case study and there was no possibility to interview more employees. Hence, the results from the analysis of the case company cannot be generalised. Furthermore, all the conclusions and suggestions that are presented are only for this case company and may be different if the case company would be another option. The results could be different also if within the same case company, we would have chosen other employees to interview. Furthermore, the case company is not selected randomly and it is biased towards the company choice and its selected employees. Another limitation is the fact that only one interview was conducted in English, while the others were conducted in the other language mentioned above. Hence, most of the quotes are translated from one of the authors into English. Furthermore, the interviews are not recorded as the permission was not received. Considering these two elements, we may be penalized for not specifying some minor facts that could help us analyse the company in more detail.

### **3. Theoretical Framework and Literature Review**

In this section, we aimed to assemble the relevant background knowledge about well-defined MCS in academic world (3.1) but we only gather related perspectives which are involved contextual situations such as PMI (3.2) and the rationalities of middle managers to implement and design a MCS within their responsible divisions (3.3). In these parts, we mostly focus on the internal uncertainties after the integration between divisions from enabling a more coercive way (Adler & Borys, 1996) when the new headquarters used dominantly boundary and diagnostic control systems of Simons (1994) LOC framework. As a result, the middle management will try design a respective PMS in response in these changes but at the same time, they can also influence upwardly on top level strategy's calibration if they possess unique knowledge and expertise (Floyd & Woolridge, 1997) while choose to maintain or slowly change the clan control mechanism (Ouchi, 1979) to adapt with the long term MCS. Thus, from these specific angles, we will end this chapter with a presentation of our framework choice of Simons LOC (3.4).

#### **3.1 Management Control Systems**

As mentioned earlier in our introduction part, in 1965, Anthony formalised tools and activities that the management used to enhance the organisation's performance to achieve strategic goals into a term MCS (Anthony et al, 2014). From that time, many researchers have been writing, discussing and developing various frameworks for this topic along with numerous control methods. Interestingly, in recent years, we can observe a trend in categorising these controls. In his paper, Chenhall (2003) documented more than twenty controls and polarized them between two categories of organic and mechanistic based on the taxonomy of Galbraith (1973). The same trend of diversion into two polar regions is also observed in Haustein et al (2014) when they ascended the controls from multiple researches by the degree of interaction with employees. That represents that evolution is still taking place in the MCS research field and we still can expect new knowledge from this academic area. Thus, the best way to predict the near future is looking back at how MCS has been developed through the years and we will review some representative MCS frameworks in the past 50 years.

Anthony et al (2014) delineated three different planning and control functions which existed in almost every organisation: management control, strategy formulation and task control (or performance efficiency). These three activities are temporally related and form a framework for strategy implementation (Appendix B, Figure 6 and 7). As a consequence, we will see that most of the research relating to MCS usually overlaps with other three major fields of organisation, strategy and

performance although some authors argue that performance measurements should be more holistic and cover MCS view (Ferreira & Otley, 2009).

### **3.1.1 MCS and Organisation**

Ouchi (1979, 1980) is among early researchers who built a conceptual MCS framework within an organisational structure. His paper was constructed through observations of how the purchasing department and warehouse operation team managed and controlled their works. Using theoretical organisation papers of Galbraith (1973) for organisational information flow; Weber (1947), Blau and Scott (1955), and Perrow (1972) for hierarchical authority system, Ouchi developed three control mechanisms of market, bureaucracy and clan for his case study. In addition, we also need to understand that specific social and informational prerequisites must be in place in order to make these three control mechanisms work properly. The main contribution of Ouchi (1979, 1980) papers lies on how clan control methods should be designed when considering the company's ability to measure its employee's behaviour and output. There is also a small takeaway that the organisation research field in the 1970s started to develop "organisational rationalities" which implied some factors to determine the MCS design, one of these examples is the view of "loose coupling" from Weick (1976).

As mentioned above, in the late 1970s and during 1980s, some organisation researchers would not recommend bureaucratic forms of controls to be used in the business company such as Weick (1976), Rousseau (1978), Kakabadse (1986) and Arches (1991). These views encouraged the "federalist" organisation researchers such as Handy (1992) to propose the design of a business group should follow federalism to balance the dilemma between control and empowerment. On the other hand, plenty of academic authors supported the necessity of implementing the coercive controls within an organisation such as Organ and Greene (1981), Jackson and Schuler (1985) and Stevens et al (1992). This provided Adler and Borys (1996) the idea that both coercive and enabling controls should coexist at the same time in an organisation so that all positive benefits of both ways can be contributed to the business. Using Perrow (1983) 's opinion about the usability of equipment as it can be designed with an aim to reduce dependence on highly paid employees (deskilling) or to promote users' skills and talents (usability), Adler and Borys analysed and proposed four features of formalisation to distinguish enabling and coercive controls: repair, internal transparency, global transparency and flexibility. There are two main contribution from the work of Adler and Borys (1996): one is for organisation research field with a classification of organisation types which depend on type and degree of formalisation; and the other one is for management controls when they provide us an acceptance of the coexistence of both coercive and enabling control in an organisational body. Brown and Eisenhardt (1997) also supported this view and stated that it is highly unusual to find a business

company operating with only mechanical or organic controls. This view is strengthened by Ahrens and Chapman (2004) when they applied the framework of Adler and Borys (1996) to their case company of a restaurant chain and explored the intertwined relationship of both control mechanisms.

One of the cadet branches of organisation research is about organisational culture. Anthony et al (2014) listed this category independently along with organisation structure and human resource management are elements that interact with management controls and together form strategy implementation mechanisms which later will dictate the performance measurement. Organisational culture received the attention from both practitioners and academia since the 1980s (Alvesson, 2013) when corporates tried to understand how culture can be an adhesive to reinforce business efficiency and somewhat support management controls (Kunda & Barley, 1988). Putting this cultural control as a core contribution as well as adding some strategic research aspects from Langfield-Smith (1997), Alvesson and Kärreman (2004) created their framework by exploring two forms of controls: technocratic and socio-ideological. Their work shares the view of Spekle (2001) that some management controls are designed uniquely to solve some respective problems in an organisation but not for others; but highly concentrate on controlling employees' behaviour and mind toward achieving the organisational key objectives. In their conclusion, Alvesson and Kärreman (2004) reasoned that their case company leaned on technocratic control rather than socio-ideological control as human resource management and knowledge management systems were intensively used in the organisation; but at the same time, hidden socio-ideological control was also spotted through some performance measurements and organisational hierarchy structure.

### **3.1.2 MCS and PMS**

Another major trend of MCS studies is that authors will dig deep into specific performance variables. Franco-Santos et al (2012) documented that most research on PMS are from three major fields of management accounting, operations management, and strategy. These fields already give us an impression that PMS should be more specific within some detailed contexts rather than a broader view of MCS as tools in pursuing the long-term objectives of an organisation. We would agree with Anthony et al (2014)'s view that PMS is a consequent part after the MCS is in place (Appendix Figure.2) rather than following the other perspective of Ferreira and Otley (2009) that PMS is more holistic than MCS. However, the contributions from PMS research fields are so important for us so we also review some PMS articles in this part to acknowledge their importance in MCS literature.

In their literature review part, Franco-Santos et al (2012) set a cut-off time for PMS since the year 1992 as the year of publication of Kaplan and Norton (1992)'s famous Balanced Scorecard



framework. Parallel with the non-financial measurements' emergence such as Balanced Scorecard framework, the new methods of management accounting appeared in practical world also helped to expand the academic field of PMS. We can observe it through Activity-Based Costing (Cooper and Kaplan, 1991) or its subsequent updated version of Time-driven Activity-Based Costing (Kaplan and Anderson, 2003); and Target Costing (Cooper and Chew, 1996) which are the two recognisable methods to improve efficiency of a business. Neely (2005)'s PMS (Appendix B, Figure 7) literature review also presented the rising trend of PMS in the 1990s and the research citations are developed dominantly from the works of Kaplan and Norton (1992, 1993, 1996). In our opinion, Kaplan would be like Anthony for his immeasurable contribution in the PMS field. Franco-Santos et al (2012) finally concluded the roles of PMS are almost the same as an MCS: PMS affects the organisation in many areas from strategy, communication, to management processes which generate the capabilities that enable the business to continue competing in the market. However, we should understand that, in their article, each reviewed academic paper usually dug deep into one category, for example: Ahn (2001), Sandstrom and Toivanen (2002) are shown to have positive effect on strategic focus, etc. This approach is useful for documenting all the PMS features and its roles to organisation-related topics such as strategy, communication, efficiency and processes rather than building a model although they did create their own PMS framework but it is too vague in our opinions. Ferreira and Otley (2009) tried to design their framework, which is heavily influenced by Vancil (1973), following the procedural approach starting from deciding long-term objectives and then combining between strategic decisions and organisational structure, the company will design their own PMS with the aim at stabilising the efficiency and motivating employees' contributions.

### **3.1.3 MCS and Strategy**

In our opinion, frameworks that contain the links between strategy and MCS are the most holistic ones since it would reflect the original perspective of Anthony's 1965 work as MCS is a tool to support strategy (Anthony et al, 2014). There are various MCS models following that idea but we would pick three frameworks from Merchant and Van der Stede (2012), Simons (1995) and Malmi and Brown (2008) as exemplary papers for MCS research.

During the 1980s, Merchant focused most of his work on the budgeting process as a control mechanism in an organisation (Merchant, 1984, 1985, 1990). And then from this perspective, he worked with other researchers to develop his ideas and observations into MCS framework such as with Simons (Merchant and Simons, 1986) and most recently is Van der Stede (Merchant and Van der Stede, 2012). The Merchant and Van der Stede (2012) MCS framework is considered as a top-

down approach (Haustein et al, 2014) when the management tries to implement four types of controls, or “objects of control” as they named them, which are results, action, personnel and culture to achieve the strategic objectives of the organisation. This framework's main idea is to impose controls through individual employees (in some cases can be applied broader as a group of people) and general management that can achieve the desired outputs and behaviours of the organisation.

Malmi and Brown (2008) made a breakthrough contribution when they proposed an idea of studying MCS as a package rather than research each control mechanism separately as previous studies. This suggestion is drawn from Abernethy and Brownell (1997) when they discovered that although many control forms are used within an organisation, previous articles only looked into controls mechanism with an approach of isolating each category or at best combining two or three categories, they academic world not yet study all of the MCS categories at the same time and as a whole consolidated package. In the article, Malmi and Brown (2008) divided control methods into five categories and consolidated them as a package: culture, planning, cybernetic, reward and compensation, administration. From here, we can see some similarity between Malmi and Brown (2008) and Merchant and Van der Stede (2012) such that they have the same cultural control. On the other hand, there are some disagreements such as Malmi and Brown (2008) separated the planning control as an independent category while putting the budgeting process under cybernetic control while Merchant and Van der Stede (2012) combined these two as a financial result control. Each category between two models can be different but overall components in each category are almost the same. Unfortunately, although the view of researching MCS as a package is very tempting, it may face many difficulties. The utmost challenge is about MCS's immensity and complexity, not to mention that, bigger the size of an organisation, the larger and more complicated MCS is (Malmi and Brown, 2008). This makes the attempt to navigate all MCS categories at the same time become a perplexing possibility.

Due to the aforementioned complexity, many researchers still find Simons (1994) LOC framework as one of the best practical models to carry out their research in the MCS field. In his paper, we can observe that his LOC framework was developed in a very exhaustive way when his samples included ten different companies in different business areas, different strategy situations and his study was executed with a longitude approach for eighteen months. Not every research work about MCS can have an opportunity to assemble such a vast empirical data from the business world like Simons (1994). Therefore, although we would opine that the approach is heavily top-down with the view from the top CEO and management which may eliminate any potential contingency factor related to middle management roles in these case companies. However, taking the perspective to link the MCS

with strategy, especially when some case companies in the study started to design and implement a totally different strategy, the only suitable view is from the topmost of the organisation. In addition, the LOC framework also provided information about the important roles of MCS in defining PMS while implementing a new strategy as an answer to Huff and Reger (1987) 's inquiry. For that reason, Simons (1994) is a very classic example of Anthony's original work about MCS in the reality world.

The LOC framework is developed from the strategic research field with the concept of emergent and incremental strategy from Mintzberg (1978) and Quinn (1980). The role of the newly appointed top managers is mainly derived from Greiner and Bhamri (1989). With these main pillars, LOC is built with four main control categories: belief system, boundary system, diagnostic control systems and interactive control systems. Again, if we dig deep into these categories, their main activities are almost the same as Merchant and Van der Stede (2012) and Malmi and Brown (2008) but since this LOC was published earlier then it got more attention and used widely until today.

### **3.2 MCS designing in post-merger integration context**

The internal post-merger integration creates a challenge for any organisation to align ongoing local business performance and process with global corporate strategies (Devinney et al, 2000) which the business company will try to combine and coordinate their local branches' responsiveness and flexibility (Roth and Kostova, 2003). Transformation includes major changes in structure of the formed company, culture, strategies and in operational processes (Lauser, 2010). According to research from Rosenberg and Keller (2016), change of the structure includes changes on the decision making and also affects the employee's behaviour. These papers imply a need for a change in MCS when PMI happens.

However, most of the studies usually focus on the role of PMS to play in the PMI context such as Quattronne and Hopper (2005), Busco et al (2008), Micheli et al (2011) and Pellinen et al (2016); or from an overlapped field with PMS such as management accounting as Jones (1985a, 1985b) or Granlund (2003). Only a few high-quality PMI articles are linked with MCS such as Jordão et al (2014). These trends give us an impression that PMI is already like an already-made strategic decision and it is unlikely to change in the short period ahead. That is the reason why most of the studies will focus more on the PMS to ensure the harmonisation between newly integrated branches rather than navigate the link between strategy and MCS. Nevertheless, we can put these PMS under some MCS categories and suitably fit with our view as mentioned in the previous literature review part of MCS.

Jordão et al (2014) studied about a merger and acquisition case in Brazil and draw their conclusion that the acquirer will introduce their result-oriented culture into the acquiree through the change of MCS and on the other hand, the new changes in details such as production, financial, quality and social control-cultural controls will broaden the way for the new culture to pervade within the acquiree organisation. In their study, they also observed the role of the acquirer CEO as a charismatic leader in the eyes of acquiree's employees which helped the transition process become smoother. Compared to other studies relating to the same PMI, this study dug deeper about the role of culture, which is one of MCS (Simons, 1994; Malmi and Brown, 2008), rather than any details of PMS like financial and non-financial measurement, or management accounting system.

PMI is also about the structural change in organisation. Sometimes, it is not just any external merger and acquisition but also about internal vertical integration. Both academic organisation study and the corporate world are still discussing which form of integration is better: horizontal or vertical (Pellinen et al, 2016). However, we would choose the same approach like Adler and Borys (1996) in a different study field but makes sense for this argument that both vertical and horizontal integration will bring different benefits for the organisation. We just need to accept the truth that the company just went through an integration and now our view to navigate how these two types of integration can play as a contextual part to define a better MCS to help the business company to adapt the strategy in the new situation. Even in his paper which devoutly encouraged the organisation to be structured as a federation which gives more autonomy for sub-divisions, Handy (1992) also admitted that there is a need of a central management to govern the federations below to maintain the efficiency of the whole federal organisation. Ferner and Edwards (1995) also stated that the top management would continue to play an indispensable role even in an organisation which was classified as "extreme federalist", the important thing is how they could channel their power through subsidiaries but still maintain their high autonomy to reap the benefit of flexibility to deal with uncertainties of local markets.

### **3.3 The role of mid-management in Strategy and MCS implementation**

From the above situation, we can see that if we break down the organisation to understand deeper how MCS works, there will be a new contingency factor we need to take into account. That is the mid-management within a business organisation. We can opine that the original strategy is undoubtedly designed at the top level of the company, but to execute and pervade it throughout the organisation, we will need a mediator like a middle management team. Their actions and decision will be one of the factors for a new emergent strategy through their upward influence to the top management's decision (Floyd & Woolridge, 1997) and these people will shape a MCS and PMS

both in their own responsible division as well as other divisions under the same parent companies. The same view is shared with Burgelman (1994) when he identified that middle managers are the ones who recognize the need for divergence and initiate the change for an emergent strategy so it can fit with the company situation.

Usually, the middle management needs to find a way to adapt in a new organisational structure which is not designed by them but their seniors (McKinley & Scherer, 2000). This led us to wonder that, in fact, the middle managers may rationally try to find a way to affect the strategic decisions (Floyd & Wooldridge, 1997), perhaps even trying to have a footstep in what so-called “Kitchen Cabinet” (Frisch, p.109, 2011) so they can manipulate the decisions of the top management following their best benefits.

In the organisation which allows high autonomy for its subsidiary, or arranges their structure following “federalist” (Handy, 1992), the important roles of middle managers can be easily observed as documented by Balogun and Johnson (2004). In their work, they drew their conclusion by observing the behaviours of mid-management and linked them with psychological theories. The middle level managers, when facing organisational structural change, would experience a “gap” in their expectations and their experience (Louis & Sutton, 1991). Then consciously, they would start to direct their action in a more considerate rather than intuitive way (Fiske & Taylor, 1991) and may even start to networking around with their colleagues to understand what is happening and how to deal with it (Weick, 1995; Weick & Roberts, 1993). However, Balogun and Johnson (2004) paper can only explain how middle managers networking with each other in order to deal with the new structural change situation coming from the top, not expand more to the how can they use this relationship and may pursuit empire building at the middle levels so that they can influence to the top management in the next coming important decision which may affect their way of operations.

We can find a lot of research articles about empire building but almost all of them relate to the top management like CEO and board of directors. It is quite rare in the academic world to discuss empire building issues and middle managers together. However, we found the work of Floyd and Wooldridge (1997) to have a good exploration about these two matters. Firstly, they reasoned that some divisions can play a greater role than others drawing from the boundary-spanning framework from Tushman and Scanlan (1981) and supported by Jemison (1984) that subsidiaries’ strategic influence is affected by general boundary-spanning activities. Jemison (1984) also categorized which departments and managers can be boundary spanning and non-boundary spanning and these depend on the business model of the organisation. This partly explains why not all middle managers can have an upward

influence on the top management about the strategic decision. In fact, according to Hutt et al. (1988), although different middle managers from various departments can together design and initiate an adjustment proposal for an emergent strategy to the top management, only one manager can play as the key champion, who will present the plan to top management. The same pattern is also observed in the top management when we think of the kitchen cabinet (Frisch, 2011) when not all of the top management members together make a strategic decision but rather a small closed group. Although there will be a “championing process” between middle level managers, in their conclusion, Floyd and Wooldridge (1997) proved a positive correlation between upward influence and better organisational performance.

Therefore, in our opinion, we may need to consider the middle management as a new contingency factor which affects both strategy and MCS and may lead to a success or failure of an organisation after the PMI is executed.

### **3.4 Choice of management control systems framework for data collection**

As we went through MCS frameworks in section 3.1, we can see that some frameworks combine heavily organisational structures as a context for MCS such as Ouchi (1979, 1980); Adler and Borys (1994) and Alvesson and Kärreman (2004); or highly focus on organisational operation with the objectives of enhancing efficiency such as Ferreira and Otley (2009); and finally, between strategy and MCS such as Merchant and Van der Stede (2012), Simons (1995) and Malmi and Brown (2008).

Since our case company relates to the PMI context, the selection will lean on the MCS studies which links with strategy rather than others so we can have a chance to understand the relationship of MCS in a new situation. Furthermore, some MCS frameworks such as Alvesson and Kärreman (2004) focused too heavily on a top-down approach since their case company has an advantage of easily replacing their middle and junior-level employees which neutralizes the role of middle managers in an organisation. However, we will not deny the usefulness of these studies when discussing organisational structure because part of our research is also linked with middle level managers which is a necessary component of a business company.

As we will include the view of middle management, therefore, we find it easier not to conduct our research with an approach of treating MCS as a package like suggested by Malmi and Brown (2008) as it is quite complex to implement the navigation for all aspects of MCS at the same time. Secondly, the organisational structure is broken into top and middle management levels so the package approach

will not make sense. This reason is also why we will not focus our data collection based on objects of control framework of Merchant and Van der Stede (2012) which focus heavily on the top management to implement the MCS throughout the organisation with the target to control their employees' behaviours and company culture hence they can control the result outcome of the staff works. So, it is quite difficult for us to go with this approach since we expect to have very limited empirical data from the top management from our case company.

Although the LOC framework of Simons (1994) is built from a top-down approach because the study is implemented from the top management perspectives, it still creates enough space for us to use the framework and apply it to our case company. The middle management team also needs to use their own MCS in their responsible divisions in order to adapt to a new situation from the PMI context. The four categories in the LOC framework cover almost every single perspective and tools that the managers would use to direct their organisation toward the strategic objectives. Below we will explain further each control system and how useful it is as our choice to collect our practical data.

### **Beliefs systems**

These systems are defined by Simons (1994) as formal tools used by top management to establish the basic purpose and direction for the organization and then pervade and fortify these core values through all the levels of the business company. The examples for this mechanism are formal credos, mission statements and statements of purpose. If follow the PMS framework of Ferreira and Otley (2009), it will be as same as the first step of the PMS setting process when the organisation needs to define their own vision and mission.

Although it is mentioned as a top management control mechanism, we can also expand this system into sub-unit of an organisation. For example, a consolidated statement of purpose at Group level can only mention about customer satisfaction, but a detailed formal mission statements between different departments can be different such as R&D department can focus on technology exploration or exploitation while manufacturing department can have their own formal credos to maintain cost efficiency or lead-time product to customer. Both of these core values are different between divisions but at the top level, they are different parts to comprise a completed machine.

## **Boundary systems**

Just as the name itself, Simons (1994) explained these systems as a formal way to mould precise borders and regulation which must be always complied at all cost. Typically, people will think of this control system in a negative way due to its compulsory and inflexibility. The practical examples for this mechanism in the corporate world are codes of business conduct, strategic planning systems, and capital budgeting process which is decided from the top management provided to business managers. The main purpose of this boundary control is to avoid any risks that the top management can foresee due to misconduct in the organisation.

We may suspect that this most coercive control method among LOC is simply top-down commands and must be executed without question. However, we should know that the top management will not have full knowledge about the detailed risks in sub-divisions or branches. Thus, the middle managers will be the one you continue to develop these rules and pervade them in their responsible departments. We can link this activity like Ouchi (1979) 's social prerequisite of control when coming to the lower hierarchy, the more requirements must be in place to make the control system work properly.

## **Diagnostic control systems**

Following the above sense-making flow, we would expect a deeper system to deploy general boundaries into specific quantified parameters as Ferreira and Otley (2009) proposed a PMS system to be in place after deciding the strategies and plans. Simons (1994) also described this formal system after the boundary systems as a feedback mechanism to supervise the company output and reinforce the compliance if some performance indexes are derailed from the original plan.

Same argument for the boundary systems, the diagnostic control systems may need to be further developed when it starts to reach down the organisational hierarchy. This creates the loop holes for agency theory when the specialised managers may not fully improve the diagnostic control system if there is not a proportional reward to motivate them to do so. Although Simons (1994) did not allocate reward and bonus into any control systems, he mentioned it repeatedly as a strategic tool to push employees to follow the new objectives of strategic turnaround and evolution.

This taxonomy gives us space to combine additional ingredients such as the role of middle management and the reward incentive scheme to understand the full picture of how this diagnostic control system is designed and put into action.



### **Interactive control systems**

The final control systems are defined by Simons (1994) as another formal device that top managers exploit in order to timely and personally involve themselves in the decision activities of subordinates. These interactions between the top managers and their staff are made continuous and frequent with the aim to encourage the organisational learning, smoothen attention feedback flow to tackle the strategic uncertainties. In other words, this interactive control system is an efficient tool for the business company to implement the emergent strategy from the original one.

Thanks to this interactive control, the LOC framework may become a pure mechanistic control framework (see Galbraith, 1973) as Chenhall (2003) opined that almost every organisation will have a mixed MCS between mechanistic and organic characteristics. This control system provides the flexibility for the other three control systems to change once the emergent strategy replaces the original one.

As above, we presented the core features of Simons (1994) LOC framework and partly related it to our case company. To study about MCS, there is no perfect model but the best fit taxonomy will be selected. The first three MCS in LOC give us an overwhelming impression that this framework is a hard tool to formalise the procedures and performance of an organisation following a coercive way (Adler and Borys, 1996). However, the last mechanism already balances this efficiency-oriented management control approach to a more enabling way (Adler and Broys, 1996) and hence provides enough space for us to insert the theoretical knowledge for middle management roles into the framework. Secondly, the strong connection between framework and strategic management is suitable when combined with PMI context. The internal consolidation of business divisions within a company is firstly a purely strategic decision. During the following months, the MCS will be adjusted to follow the new strategy and at the same time, the new strategy can also emerge thanks to contribution from the extant MCS (Davila, 2005). Finally, it is just our personal view, but LOC is a combination of PMS and several MCS frameworks. Starting orderly from belief system to interactive control system, it reflects the same view as Ferreira and Otley (2009), while we can see the similarity between LOC and Malmi and Brown (2008) or Merchant and Van der Stede (2012), for example: cultural control in both Malmi and Brown (2008) or Merchant and Van der Stede (2012) can be seen through beliefs system and interactive control systems in LOC. For all the aforementioned reasons, we strongly believe that our approach for this case study using Simons (1994) LOC framework is the most suitable for us.

# 4. Empirical findings

## 4.1 Introduction of case company and organisational restructure

### 4.1.1 Introduction of case company

In the figure (See Figure 2) below we present the timeline of the case company. The timeline in figure 2 shows the progress of the company and how it has proceeded. Hence, at first the investigated case company or differently named the Ultimate Parent Company has operated only in a defined market. In the 2000s, the Ultimate Parent Company acquired Company BB with its headquarters in the U.S which operated in a different market from the acquirer. The top management of the Ultimate Parent Company had two main reasons to acquire the Company BB. Firstly, the decision was made due to technological affinity between two companies. Moreover, the Company BB was in financial struggle at that time, hence it was acquired. The acquisition of the company BB was followed by the division of the Ultimate Parent Company. Hence, two subdivisions were called Division A and Division B (Appendix A, Figure 1) and were directed by the Ultimate Parent Company, which is publicly listed in Europe. At the early period after the acquisition, most of the top management members in Company BB still remained at top positions in division B. In 2009, division B began the project to set up a factory in Asia in order to transfer most of the work from the US factory to this factory due to the competitive labour costs. Therefore, at the beginning, the case study factory would be under the control of division B and its influence (Appendix A, Figure 1). The two divisions almost worked independently from each other.

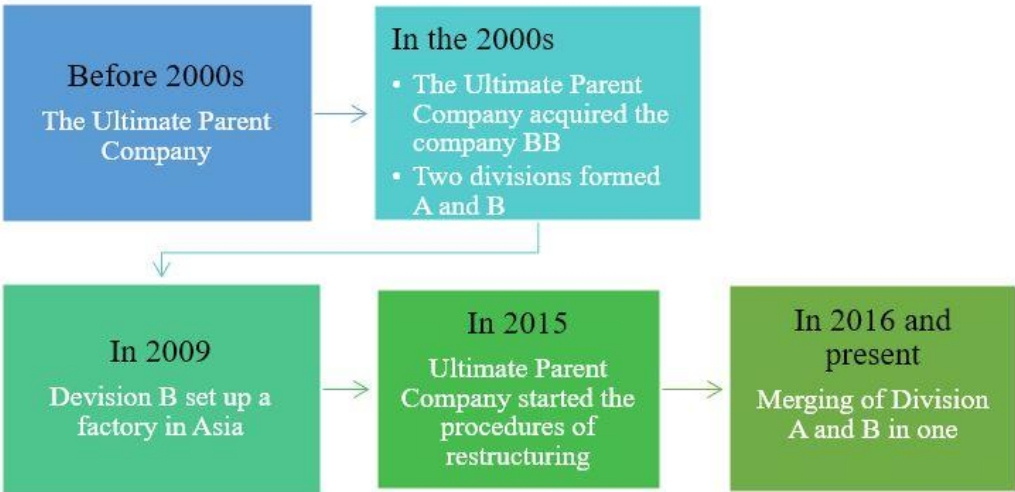


Figure 2: Timeline of the case company

Before being merged the Ultimate Parent Company had the divisions A and B. Each division had their sales office, factories and R&D centres. The only difference among division A and B was the number of countries in which their factories were located (Appendix A, Figure 1). As each division had their own departments before changing the structure of the company, also the management of the employees and their reporting system was different. Hence, each department of the division reported directly to their factory director, while indirectly to their departments' director (Appendix A, Figure 3).

From 2016 the Ultimate Parent Company went through a structural reorganization among the parent company and its divisions. After the reorganization, the departments of the two divisions are consolidated in one and under the control of the ultimate parent company (Appendix A, Figure 2). Hence, the sales offices, factories and the R&D centres are not separated among the divisions. The structural reorganization affected the reporting system of the company and its departments. Hence, the departments are obliged to directly report to the departments' director. The relationship among the factory director and the departments has been changed to indirectly reporting (Appendix A, Figure 4).

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*“There were some changes in structures of reports since the reporting requirements in corporate HQ was somewhat different to that of the U.S country. There were also a number of changes in reporting relationships because of the structural changes due to integration. The corporate HQ also introduced a revised set of levels of authority.”*

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Exhibit 1 represents all the participants and their background. Moreover, Exhibit 1 informs about the communication duration among us and the respondents. One of the main contributors to the data collection was the APAC Regional CFO, whose information was very valuable to understand the change of structural organization as he was informed in advance about the integration of the two divisions. Hence, in this subsection the information obtained from APAC Regional CFO will be analysed.

<b>Respondents</b>	<b>Position</b>	<b>Communication</b>	<b>Duration</b>
<i>Respondent 1</i>	APAC Regional CFO	Zoom meeting & emails	60 minutes
<i>Respondent 2</i>	Factory director	e-mails & phone calls	45 minutes
<i>Respondent 3+4</i>	Chief Accountant & Accounting supervisor	e-mails & phone calls	30 minutes
<i>Respondent 5</i>	Accountant specialist	e-mails & phone calls	15 minutes
<i>Respondent 6</i>	Purchasing specialist	Phone calls & messages	15 minutes
<i>Respondent 7</i>	Process engineering	Phone calls & messages	15 minutes
<i>Respondent 8</i>	Mechanical engineering	Phone calls & messages	15 minutes

*Exhibit 1: Information about the respondents*

The integration strategy of the divisions was decided and designed by the headquarter team of the corporation and was followed with a different strategy, thus the company changed from a product oriented to a customer oriented. As a result, the integration of the two divisions resulted in a wider range of the products being manufactured as the production was for two divisions at once. Before the integration of the two divisions, the APAC Regional CFO was the world-wide financial controller of one of the divisions. His position was to report to the Vice Principal of the finance departments of that division. After the integration, most of the employees were obliged to change their position, hence from a world-wide financial controller our first respondents' new position was APAC Regional CFO and the focus of the new position was on regional level, rather than divisional level. The restructure of the company mostly influenced how the decisions were made and the corporate culture, due to the shift of the headquarters from US to a European country. Hence, after integration the procedures of the decision making were made on a regional level rather than divisional.

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*“In general, the integration resulted in a shift in corporate culture.” (APAC CFO)*

*“The factory continued to be influenced by U.S culture, but this decreased over time as fewer people from U.S were employed and local management together with personnel from other countries became employed. U.S culture also declined due to the reporting relationships moving away from the U.S divisional structure and direct to the corporate HQ.” (APAC CFO)*

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Before the integration of the two divisions, each division followed the culture of the country where the correspondent headquarter was located. Meanwhile, the new structure obliged the divisions to follow the culture of the main Headquarters.

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*“The culture of APAC was undoubtedly influenced by division B because APAC regional activities were directed from the US. The processes [...] were designed, monitored and managed by division B managers. After the integration, the factory continued to be influenced by division B culture, but this decreased over time [...] Division B culture was also declined due to the reporting relationships moving away from the US divisional structure and direct to the corporate HQ in Europe. The other APAC entities which were previously managed directly from the US also saw increased influence from the corporate HQ culture. There were some changes in structures of reports since the reporting requirements in corporate HQ was somewhat different to that of the USA. There were also a number of changes in reporting relationships because of the structural changes due to integration. The corporate HQ also introduced a revised set of levels of authority.” (APAC CFO)*

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The organizational scheme of the case company before integration was centralized. Hence, each division acted as a separate centralised organization with its own top-level management. The Ultimate Parent Company began to operate as a single entity after the merging occurred hence formed the one top-level management. The regional headquarters, hence the APAC Headquarter were established due to the structural reorganization. This influenced the reporting system of the case company. After the integration the departments reported to their directories based on their function.

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*“For sales; finance, HR and legal this reporting was made direct to the regional HQ. For operations and R&D the relationship was direct with corporate HQ as these functions did not exist at a regional level.” (APAC CFO)*

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Performance measurement system is the other element to be considered when an integration occurs. In this case PMS has been affected too by the merging of the two divisions. Regarding the financial measures of the case company, the interviewee informed us only for his department. The financial measures of his department have not been affected by the merging of the two divisions. Thus, the financial measurements are sales and expenses performance compared to the budget. Concerning the non-financial measures, the case company has added customer satisfaction surveys. This additional measure has been added due to the change of orientation from product to customer oriented.

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*“Performance measures of individuals remained substantially the same with some additional measures such as global customer satisfaction data being introduced to the management incentive plan.”*

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As mentioned in Ferreira and Otley (2009), information flow and its systems are crucial mechanisms in the PMS. From the answer of the questionnaire with the APAC Regional CFO, we identify that the case company uses a feedback information flow. The mechanisms used to communicate were teleconferences, emails and phone calls. The difference among the two periods before and after integration was the individual meetings in person. Hence, as the regional headquarters were formed after merging, in person meetings became a useful method. Not only videoconferencing and other online methods were used to transfer the information, but physical meetings became more frequent.

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*“As APAC CFO I visited the larger entities more than once a year. Also, the changes in structure necessitated several visits to some smaller entities.”*

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In the interview with the first respondent when asking about how cooperating with the departments had changed, we identified that the changes had occurred in relation with the legal department mostly. Meanwhile, the cooperation with the other departments such as sales and HR remained positive and stable, the relation with the legal department became much more unhelpful and destructive.

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*“These differences between before and after were driven on one hand by the change in my role (much closer relationship with sales activity and the regional sales VP) and by the character of the legal management (the U.S divisional legal manager was very constructive and engaging whereas the APAC legal manager was much less so).”*

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The general opinion in comparing both periods before and after merging is among the average and below the average. Hence, there is a low satisfaction toward the European Headquarter. According to the survey, especially the responses of the first participant, there is a low collaboration among the top and middle level management after the merging occurred. The organizational culture is hostile and after the integration the European Headquarter has settled a boundary system. Hence, the results indicate that integration has not generated a positive impact on the employees.

#### 4.1.2 Organisational restructure

The organisational restructuring in the company started from the middle of the year 2015, when the Ultimate Parent Company decided to integrate both divisions A and B into one. During that time, the key personnel in division B had two choices; first they could leave the job and get compensated by the company or they could choose to continue to work with the Group, but their position would be demoted. Furthermore, the key personnel of division B would report to the new mixed board of management which consisted of newly hired top executives and promoted division A high level managers. Moreover, the management of the European Headquarter reformed the whole departments of division B, such as trading offices and sales offices. These actions were taken by the European Headquarter in order to ensure full control in the case study factory after the integration. As a result of merging, there are excessive sections or employees in the newly formed company. Hence, revaluation of the staff and departments is necessary. According to the information collected via the interviews, the case company got consulted with an external consulting company in order to design the new structure. It was inappropriate to the employees of Division B as they were not informed by the Headquarter.

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*“I think the top management worked with an external consulting company to design the new structure for the organisation and most of the high-level managers in Division B did not know much about the details until it was communicated from the CEO”. (APAC CFO)*

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Merging of the two divisions was followed by the staff restructuring, consisting of internal promotions, hire of the new employees, the existing employees forced to leave the working place and replaced by others and persons from the acquirer companies take over. This immediate decision taken by the top management dissatisfied the exited employees of division B.

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*“I totally understand the feelings of the APAC CFO and my direct boss, the VP of Operation and Supply Chain in Division B when they were asked to leave the organisation” (Factory Director)*

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Regarding the organisational restructure not all the employees were informed. The execution plan of the integration was reported to the employees according to their seniority level. Hence, only those who had a principal position were notified in advance.

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*“Because I am the top leader of the factory, I was informed about the integration about 2 years in advance.” (Factory Director)*

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As it was mentioned in the previous subsection of the thesis, the first respondent was the first person to know about the integration of the two divisions, as he had a crucial position in the finance department. In accordance with this, he was informed and cooperated with the European Headquarter to structure the APAC finance team.

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*“In 2013, as part of the Integration project, I took the role of CFO of the APAC region ... the APAC (finance) team was formed as a consequence of the integration... I would propose to compare to the finance structure that existed in APAC before integration even though it was not actually a "team"” (APAC CFO)*

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Except the principals who were informed in between two or three years in advance, the other employees who were included in middle management were informed just a couple of months before the merging would occur. Those employees such as the chief accountant and direct report managers were informed by the factory director. The integration decision was communicated to the other employees via official email sent by the Group CEO.

## **4.2 Four control systems of the company**

### **4.2.1 The use of Boundary control systems**

Companies work under legal policies, code of conduct and business regulations. Most of the regulations are influenced by the change in any directive of the company. Hence, the merge of the two divisions and the change of the Headquarter from US to a European country, influenced the control procedures among the Ultimate Parent Company and the employees in factories in our case company. Respondents 3 and 4 approve that the Ultimate Parent Company has expanded the policies to be followed in the daily operations. Hence, the employees in the company should spend much more time on the guidelines set by the Ultimate Parent Company and each of the employees in the company should act according to the appointed directives. Respondent 3 mentions that the company has hired new employees in the finance department in order to establish new policies and to control if every operation is in accordance with the rules. On the other hand, Respondent 4 elaborates that the



guidelines and policies set by the top management are too specific, which negatively influences the motivation of the employees to focus on their tasks.

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*“Currently, more and more new policies are required from Ultimate Parent Company and we must follow. This adds to our workload quite much. There are also new finance positions in Headquarters as well and these new positions are created to streamline the processes by writing new policies and constantly checking the alignment and compliance through the group.” (Chief Accountant)*

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*“After integration, I feel that they focus too much on details for every kind of expense and budget which is, due to my personal opinion, not reasonable and time consuming.” (Accounting Supervisor)*

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However, the boundary system established by the Headquarter has much more effect on the middle and lower rank employees of management rather than the directors. This is observable from the response of the second participant, whose reaction to the boundary system is insignificant. The factory director tries to avoid the directives, thus motivating the employees to work properly. The objective of the second respondent is to assist in simplifying the boundary system of Headquarters and to improve the processes which are much more important in the factory.

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*“We do not have to worry if the headquarters decides to outsource the manufacturing process as long as we always improve our process every year... I always encourage process engineers to review and improve processes to optimize the direct labours’ capacity.” (Factory Director)*

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#### 4.2.2 The use of Diagnostic control systems

Diagnostic control systems are used by the companies to monitor if the targets set by the top management are fulfilled and if there is any deviation from the objective. The most popular type of the diagnostic control system is the budget, which is used also in our case company. The activity of the diagnostic control system is not only monitoring, but also assessing and rewarding the achievements. According to our collected data, the respondents identify the diagnostic control system more as a rewarding system rather than a tool that monitors their operations. In the opinion of the second respondent, diagnostic control systems have a motivational role to the employees. Thus, his proposition is to reward the employees of a particular project with a bonus after it is realized. Generally, bonuses positively motivate the employees.

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*“I usually propose the new projects for the factory and after completion, there will be a one-time spot bonus for participants. It also encourages people to work more.” (Factory Director)*

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However, diagnostic control systems should not only focus on formal measurements and giving feedback on the performance. Instead, furthermore actions should be set up in order to identify what can be improved and explore new ideas. Hence, the performance of the company can be boosted. Respondent 3 mentions the concept of Kaizen. Kaizen is a philosophy that involves all the employees and it represents continuous improvements in operations. Respondent 3 stresses that the philosophy of Kaizen would have a positive impact on the long run-in case it would be practiced by the case company. Thus, the diagnostic control system established by the company would be more adequate in monitoring the performance and capable of improving operations.

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*“An outstanding nomination is good for new ideas and the Kaizen’s activities should be maintained for the long-term.” (Chief Accountant)*

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Another aspect derives from the seventh respondent who does not have an accounting background. According to a lower-level employee whose task is to focus on the production process, budgeting

availability accessed from the Headquarter influences the improvements of the process. Thus, a limited budget does not allow to improve the work, while if the HQ would be more flexible on the budget, the employees would have the possibility to make improvements. Respondent 7 emphasizes the Kanban framework, which involves all the employees to optimize the workflow in the factory. Consequently, the lower-level employees evaluate the diagnostic control system as a tool that supports and authorizes improvements in the operations.

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*“It depends on how much we are willing to spend to improve the process. Everything is about the Kanban framework, if you have resources you can improve from that framework according to your choice, but if your resource is limited, you have to select a specific process you want to improve.” (Process Engineer)*

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Moreover, the role of the diagnostic control system is to assign objectives and responsibilities to the competent persons. This identification derives from one of the low rank employees, who is responsible for the purchasing processes and decisions. Respondent 6 highlights that restructuring of the company did not have any significant impact on the objectives set by the HQ. However, as the new top management have intensified the procedures and policies, the low rank employees have to act in accordance with them and not deviate from the procedures, hence the top management has made it easier to monitor the performance of the department.

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*“We still follow the same objectives before and after the integration: to place the orders timely to suppliers and make sure that they deliver our materials on time. If anything happens, I will just follow procedure and raise the attention of my supervisor.” (Purchasing Specialist)*

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In regard to the performance measurement, specifically to the key performance indicator, the respondents do not see any difference before and after merging of the two divisions. Hence, the

indicators used to evaluate the performance have not been changed. The integration has influenced only the delegation of the work. Thus, before the integration the responsible person was the Vice President of division B, while after the merging the responsibility was transferred to the COO of the Group.

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*“There is no difference for our factory KPIs before and after the integration. All of these are set previously by the Vice president of operation and supply chain of division B; in the new structure, it is set by the Chief Operation Officer of the Group.” (Factory Director)*

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As it is introduced to the boundary control system, the European Headquarter has imposed much more policies to control the operations in the departments, which negatively influence the motivation of the employees. In order to have sufficient monitoring on the financial performance and how the tasks are completed by the employees, the Headquarters has seen as essential to increase the personnel in the departments. Increasing the number of the employees would diminish the workload of the others. However, responded 3 adds that diagnostic controls used by the HQ add a lot of extra workload related to the controls of the operations, which make it more complicated. Thus, delegation of the work to the other employees does not positively influence the work of the chief accountant, due to the extra policies and procedures that should be followed.

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*“After the integration, I have to delegate some of my work to my staff and do what the Headquarter classifies as “more value-added work” such as comparing actual expense spending and planned budget for the departments not relating to manufacturing processes such as HR, Finance, IT, Legal.*

*The controlling work in operation is so complicated and overwhelming that even the Headquarter hired a new headcount in the factory to specialise their requirements.” (Chief Accountant)*

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### 4.2.3 The use of Beliefs control systems

Belief systems provide guidelines and specify the priorities which are communicated to the employees via official documents. The system could be influenced by the restructuring of the company and the shift from one country to another. Documents contain information on the mission, vision and core values of the company, which can be adjusted as a result of corporate reorganisation. Providing guidelines to the employees increases the transparency among them and it influences the communication in all the levels of the company. However, in our case, the respondents do not have an impact on the belief system of the company and only one gave his opinion, which is the factory director identified as respondent 2. Hence, the factory director defines the belief system as a non-formal system and perceives it as a motivational system. Respondent 2 emphasizes the importance of team working and intrinsic motivation of the employees. Hence, the belief system is much more than the statement of core values and mission. According to the factory director, an employee who has intrinsic motivation and puts much more effort than is required to do so is more effective than an employee who is loyal. As a result, an employee whose performance is above the average, can explore new opportunities which in the future can be profitable to the company.

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*“For me, the most important requirement of an employee is his/her “fire in the heart” and teamwork attitude. I would require him/her to be somewhat a patriot because as a patriot, he/she will find his/her own way to learn, work and prove themselves before foreigners’ eyes... Loyalty is not a key factor, I only focus on people who always contribute their part more than what they are requested. They can go if there is a better offer but when it works for me, they must show they are the best...” (Factory Director)*

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Moreover, the factory director emphasizes on the differences that occurred when the structure of the company changed, thus followed by the change in management team and their business strategy. As it was mentioned by the APAC CFO, integration influenced the corporate culture. This statement is supported directly by the factory director. According to respondent 2, the management team of US HQ had an organic control. As in every company, the statement of mission and guidelines are provided to the employees, however the organic control allows the employees to decide on the procedures of the daily operations. Thus, employees had more autonomy on making their own

decisions and designing the culture. Management team of the US Headquarter was more focused on the results of the departments, rather than on decisions made by them. After the integration, the management team of European HQ introduced mechanistic control, which decreased the autonomy of the employees. Thus, employees do not have the opportunity to decide, but they should act according to the guidelines and fulfil the expectations of HQ.

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*“The factory culture is different from both US and Europe HQ, we built it on our own. It is lucky for us that during the establishing years of the factory, the US HQ gave us enough autonomy and only focused on the output results so we could have freedom to create the culture: “All for one, one for all”.” (Factory Director)*

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#### **4.2.4 The use of Interactive control systems**

Interactive control systems have an important role in the company and it is perceived as a system in which the top management is included in the decision-making activities with the other level of employees. The general opinion by our respondents was that interactive control systems have a high importance with key roles in learning, improving and exploring new ideas. Likewise, respondent 2 highlights the importance of exploring new ideas, improving the existing processes and encouraging organisational learning. Moreover, the factory director adds that decisions made by the Headquarter should not divert the attention of the employees from their objective of achieving the objectives and learning. Hence, the employees should concentrate on their activity. As a factory director, respondent 2 refers to the importance of alternating the position of employees as a tool to support the learning process. Hence, offering to an employee different positions at work would allow them to learn and understand how the factory operates.

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*“We do not have to worry if the headquarters decides to outsource the manufacturing process as long as we always improve our process every year... I always encourage process engineers to review and improve processes to optimize the direct labours’ capacity... I always have a back-up plan for key positions in*

*my factory and try to rotate these people between these positions so they can understand more about different functions.” (Factory Director)*

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As well as the factory director, respondents 3 and 7 refer to the interactive control systems as a learning tool. Hence, respondent 7 emphasizes that integration influenced the interaction as the employees have been in other factories to share their knowledge with their colleagues. Sharing knowledge and experience among them positively influences the overall performance, as the employees would be encouraged on developing new strategies and ideas. Moreover, respondent 3 emphasizes the interactive system as a networking tool among the factories. Hence, the interactive control system is perceived as a system in which all the employees take decisions and are part of the organisational learning.

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*“I and some warehouse colleagues were sent to European factories in the group to distribute knowledge about lean manufacturing, kitting and just-in-time methods to increase the efficiency in these factories.” (Process Engineer)*

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*“There is some software that our engineers created and even used for some other entities in the Group such as the day-off registration software. The lunch-meal registration software is also written by our factory engineers.” (Chief Accountant)*

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Besides the practical assumption of the other employees for the interactive control system, respondent 1 discusses the theoretical point of view regarding the interactive system. According to his opinion, the European Headquarter has not involved the previous employees who had an important role in the company in the whole integration process. As a result, the interaction control system by the European Headquarter to involve the top management in decision activities is underestimated. Rather, the European Headquarter cooperated with an external company to determine the strategy and new structure. Respondent 1 highlights that the involvement of the employees in the integration process

would have simplified the procedures of the restructuring. Furthermore, employee participation from the beginning of the process would have encouraged them to work under the new organisational strategy and be more productive.

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*“The integration was generally well designed and a necessary step to take advantage of synergies and economies of scale within the group. (However, if I were in charge of this integrating project) I would have given more delegation within the limits of authority structure. This would have eased the bureaucracy and allowed employees time to be employed more productively” (APAC CFO)*

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### **4.3 The role of middle management**

The role of middle management has been difficult to be identified by some of the respondents in our case company. However, the role of middle management usually is identified to ensure that the daily tasks are achieved by their staff. Moreover, the tasks of middle management are to set team goals and encourage to achieve the goals, report the productivity of the employee and give feedback on their performance. Still, the description of their job is not well defined in any company. According to the opinion of the third respondent a leader should possess high qualities in order to complete the tasks and to motivate the team members. However, the respondents have not mentioned if their middle management have been affected by the change of organisational structure and shift of corporate culture.

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*“We would expect that a leader must have a special characteristic which can encourage the team members to work and deal with the job assignments. Because sometimes job assignments are not really interesting and somewhat demoralized.” (Chief Accountant)*

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The factory director discusses middle management in a different aspect. As a director, respondent 2 emphasizes that monetary rewarding of the employees such as the middle managers should be seen



as an investment with future profits. Hence, rewarding the middle managers would motivate them to accomplish the objectives set by the Headquarters. However, the role of middle manager should not remain not only to accomplish the tasks of the Headquarter and to monitor the staff. Thus, a financial incentive should encourage the middle manager to interact with their staff to improve the processes of the company.

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*“Before asking additional benefit for factory employees, we must think in a way that the additional spending is like an investment and will bring back more “profit” to headquarter, which means we do not just ask only for benefits and compensation but also providing visible improvement to top management such as some specific manufacturing processes are improved.” (Factory Director)*

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Moreover, the factory director whose position in the case company is ranked in top management, while at the Group level his position is ranked below, highlights that European HQ has recognized the importance of middle management. Usually, all respondents note that the European HQ has more attention on the top management and its decisions, rather than the other levels. Additionally, European HQ is identified by our respondents that does not permit autonomy of the employees, rather they have to behave according to the policies set by HQ. Hence, recognizing the value of the middle management was unpredictable. However, the role of middle management has not been evaluated properly, as it is presented in the quote below.

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*“Since 2017, Europe headquarters have started to see the importance of our factory due to our high efficiency in capacity, lead time as well as our flexibility... Currently I am assigned to be in charge of new Service Repair Centres in APAC. In 2019, during the time that the Headquarters looked for a new COO, I was appointed as an interim COO for some months to maintain the stability of the manufacturing operations.” (Factory Director)*

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#### 4.4 New global and local laws affect the controls of the case company

In every country there are rules and regulations that have been implemented to control how businesses operate, in order to protect consumers as well as preserve competition in the market. The same goes for our case company which has to follow the new local regulations, both at the factory side and the nation where the HQ is located, which on the other hand, brings more paperwork to deal with. On top of that, the Factory Director claims that they have to provide some extra reports for sustainability to Headquarters, in order to work on that.

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*“There are new local regulations that we need to follow strictly in order to enjoy the tax deduction. Even a change in the local government structure also brings us more paperwork to comply. Not only at local government, the new Headquarter now also demands some extra reports from us for sustainability. For example, since 2014 or 2015, sustainability reports have been compulsory for our Group, therefore we must provide extra information to Headquarters so they can work on that.” (Factory Director)*

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In the nation where the factory is located, the authority, although trying to lessen the paperwork for corporations like digital initiative, is also changing new regulations to pursue political objectives such as trying to collect more tax to contribute to the national budget. This unintentionally makes more paperwork for the Finance Department. To manage the workload, they have assigned an additional staff who is in charge of tax regulation and is expected to organize the accounting team in order to train them in all the new processes they will encounter, such as digital signature electronic invoices etc. All the new processes and the ambiguity that comes with it have increased the workload, even though the company is going digital.

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*“In Asia, new regulations may add more work to our department in order to comply with them. That is why there is an extra headcount for our department who will be in charge of tax regulation and he usually needs to instruct the accounting team how to do the work to comply with new rules, such as digital signature for invoices, electronic invoices, digital bills of lading, etc. You may think going digital will lower our work, but the ambiguity in regulation may make it even more work for us.” (Chief Accountant)*

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*“Some local policies changed very fast and unpredictable, today like this, tomorrow like that, the day after tomorrow may return again. That’s why sometimes we do not want to formalise some process to do some specific reports since it may be a waste of time. However, if reports are in the frame law, then the formalisation is necessary since we know it is very hard to be changed and if the employees who are in charge of that kind of report resign, the newcomer can catch up the work easily. But again, our local government is very unpredictable when it comes to the paperwork.” (Accounting Supervisor)*

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As the Accounting Supervisor stated, it is very difficult to standardize the whole process of reporting due to the dynamic local policies. They tend to formalize only the processes that follow a frame law, since they are very hard to be changed.

More paperwork seems to be the bottom line in every department of our case company. A process engineer, for example, has given us a real-life example to differentiate the new processes from the old ones. Previously he would just need an email confirmation to proceed with a purchase, however, now he has to follow a new process with extra paperwork in the finance team, if he wants to purchase any machinery above a certain amount of money.

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*“In recent years, I can see that I need to do more paperwork. Previously, I could buy a machine, get an approved email, then I can process the purchase order in the ERP system. Now there is new regulation, if the machine is less than 1500 USD, I just need to follow the same process, but if it is more than that, I need to follow the new process with extra paperwork with the finance team.” (Process Engineer)*

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## **5. Discussion**

### **5.1 Integrating organisational structure**

The PMI process will lead the organisation to choose two types of integration: vertical or horizontal (Pellinen et al, 2016). In our case, even after the company BB was acquired by the Group, they still operated as an independent division for a while before a final integration was decided by the board of directors. The “federalist” organisation structure provides some certain advantages such as creating opportunities for individuals or independent divisions to contribute their best talent and expertise (Handy, 1992) or easily satisfying the customers' demand on product differentiation (Pellinen et al, 2016). However, the business may have to offset their efficiency when divisions in a horizontal structure may not have a good cooperation to create a synergy (Pellinen et al, 2016).

Therefore, the decision to select the right structure lies on the top management. We can allocate this decision as a strategic decision because its consequences will follow the company for a long time when the organisation must mobilise all of their resources both human and finance to act for the committed actions (Northcott & Alkaraan, 2007). Our practical findings somewhat reflect Ferreira and Otley (2009) PMS framework when right after the strategic integration decision was made, the structure was the next thing to be changed and then the PMS system. We will broaden the PMS into the MCS in the later discussion part since we need to involve the position of our factory into the new structure.

The new structure will bring in new features for any new entities within the organisation. For our case company, we can observe that the change in hierarchy establishes the legitimate authority (Ouchi, 1979) for the new HQ over the factory which is one of the key prerequisites for the bureaucracy control. Through this bureaucracy control, the new policies, rules, and processes will be implemented in the subsidiary and begin the integration process for MCS. However, having the legitimate authority will not guarantee a full control of the branches especially if the company is a multinational corporation. The biggest barricade will be about subcultures in the organisation. Alvesson (2013) pointed out that organisations usually do not have a homogeneous culture but may vary between departments and divisions due to different perceptions about shared beliefs, symbols and values. These beliefs, symbols and values must take time to be established within a specific group of people. That is why during the PMI process, cultural clash is one of the top priorities to be dealt with to have a successful integration (Jordão et al, 2014). We can also observe that the new reporting direction

after the structural change is one of the first established interactions between middle level managers and the top management. These interactions later will bring us a very interesting discovery.

## **5.2 The role of LOC as coercive formalisation**

After deciding the forms of organisation structure to lean on which decentralisation or centralisation direction, the top management already have established the legitimate authority in order to implement their coercive formalisation throughout the organisation.

Observations through Simons (1994) proved that formal MCS are used consistently and actively by newly-appointed top managers. In our case study company, although the top management are mostly from division A, but in the eyes of employees in division B, they are new supervisors. Understanding this standpoint, the top management uses their new granted authority over division B to amend the old extant MCS and streamline operation activities from these entities to align with the overall Group strategy and direction.

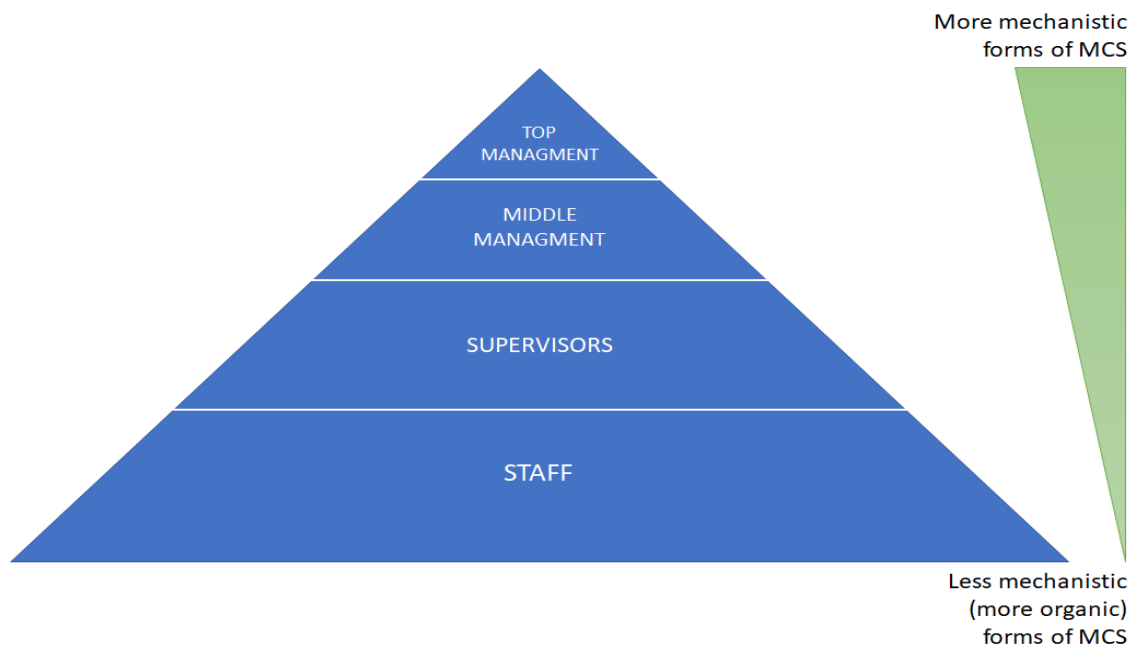
The formalisation process is to standardise all the processes of the subsidiaries and branches under previous division B (Adler and Borys, 1996) so their operation can fit with the new integrated organisation. During this time, the headquarter, especially the top management, will use the formal tools such as budget (both capital and expense) to discipline all business units to follow the Group strategic plan. This means the two Simons (1994) LOC, which are boundary and diagnostic control systems, are most utilised at the beginning phase of PMI. Budget control can only be optimised if the unified management accounting system is in place after the integration (Jones, 1985).

The remaining two formal MCS of Simons (1994) LOC are beliefs and interactive control systems. These two are also used by the top management but could not take effect immediately. And even the same incidents can be interpreted in different ways. For example, in the company case study of Jordão et al (2014), the employees in the acquired company were very impressed by the charisma of the CEO of the acquirer company so they easily accepted the result-oriented mindset from him. However, the case company is a big national Brazil when the people of both the acquired and acquirer share the same national culture. If it is a multinational corporation with different geographic distribution and cultures, the acceptance may not be so easy, for example, Asian people are not easily convinced by the first charismatic impression but rather cautious and wait for the next few months to see the leader's integrity between actions and his words.

We can also reason this trend through the Ouchi (1979) framework. When pervading down to the clan control, the prerequisite of shared values and beliefs must be in place. Some can argue that using LOC belief systems such as clear mission and vision statements to create the new shared beliefs and values among organisation hierarchies. We partly agree with this but it is not enough. Alvesson (2013) defined two concepts of meanings and symbols that play significant roles for organisational shared values and beliefs which are parts of organisational culture. Alvesson (2013) mentioned in his work that meaning can be varied differently even from a clear set of rules such as an underperformance manager is expected to interpret the rules as a strong mould and under no circumstances he can break out, while a star manager can only consider it as a reference. Thus, when using LOC belief systems, we must expect some delay to reap the benefits from it.

With the reasons we stated above, at the beginning of a PMI process, it is just a rational choice of the top management to use clear rules and quantified measurements belonging to boundary and diagnostic control systems in LOC to discipline the newly created organisation. “What is quantified is easy to control” is a very good motto to apply in this situation. We do not ignore the other LOC systems because their roles, we would opine that, are for a long run to streamline the organisation to the strategy.

Below is our figure (See Figure 3) to summarise our observation for the initial stage of the PMI process when the top management will lean on a more mechanistic form of MCS while waiting for the organic form of MCS to progress slowly in the organisation. We also put here some of our assumptions that because the mechanistic MCS is controlled from the top, therefore, the middle and lower managers will lean on less mechanistic (more organic) MCS to keep their responsible divisions under their control so they can direct their team to the strategic path of the organisation.



*Figure 3. The preferable MCS forms between different levels of management during the initial phase of PMI.*

### **5.3 The role of LOC for strategy calibration and upward influence**

Before the integration takes place, each of the parties will have their own MCS and culture (Jordão et al, 2014). Some remnants from the former MCS are very hard to be changed and may require enormous resources for it. For example, to change a clan control of Ouchi (1979) as we argue before, the organisation has to wait for several years to adjust these shared values and beliefs or choose a heartless solution, but much faster, by purging the majority of old employees who are not fast enough to adopt the new control way. Both ways are costly to some extent, the former will cost the organisation time and opportunity costs, while the latter will be somewhat expensive in some countries in which the labour law is strictly observed.

For that reason, we can observe that the more indirect interaction with employees, the more difficult it is for management control to be changed. Haustein et al (2014) also summarized this pattern and described the most indirect interaction with employee control mechanisms would be about human control such as their culture and perceptions while more direct interaction will focus more about numerical targets such as budget and financial measurements. This aspect can explain why the new managers in Simons (1994) case study firstly chose to stick with financial targets as they are easier to be changed and controlled or the two referable LOC controls as we mentioned for coercive formalisation.

While the coercive formalisation is taking place, and the top management is waiting to reap benefits from beliefs and interactive control systems, the middle managers will not be passively static and do nothing while exposed to the MCS that they did not participate in the designing process. They will try find a way to adapt in a new organisational structure (McKinley & Scherer, 2000) and meanwhile trying to steer the next instructions from the top management in way that can benefit them most, we are not talking about fraud but normal benefits like lessen workload or gaining more autonomy for their decision. This purely psychological reaction to new change (Fiske & Taylor, 1991) which lead them to start networking around with their equivalent middle managers in other department, firstly to understand more about the new situation caused by the PMI (Weick, 1995; Weick & Roberts, 1993), secondly is perhaps begin their empire building which may be proven useful in the near future.

This is the time when the role of interactive control is most optimised by the middle management team. In contrast to their original intention of Simons (1994) as a formal tool used by the top management, the reality shows that through this communication channel, the influence flow is bi-directional between top and middle management. The top leaders will use this LOC to control their staff 's decision like what Simons (1994) originally defined as “all the managers are tempted to steal their subordinates' decisions” (Handy, 1992, p.167). On the other hand, Simons (1994) did not consider the agency theory when the middle managers may possess more information, thanks to their strong expertise in the unique field they are working, to make a better decision than the top leaders. Therefore, they can use their technical knowledge as a weapon to plant their influence to the top management or fight their way to have a space in the “Kitchen cabinet” (Frisch, 2011) where they can have a better position to influence the next emergent strategies.

Another factor that can back up the middle managers to influence top management is their team. To pursue empire building efficiently, the middle managers should not only befriend with their peer middle level managers but also need to seek support from their subordinates as well. This is even easier when using the LOC belief system. For example, in our case study, the factory director and his staff have been working together for a considerable time so they already shared their beliefs and values within the manufacturing site. They established their own factory culture and this factor will help the factory director to have a louder voice when interacting with top management for any matter relating to the production process.

Although we may have negative views about empire building or this case, the upward influence from middle managers to the top leader, Floyd and Wooldridge (1997) proved that the upward influence



from middle management will usually have a positive relation with better performance thanks to their unique expertise.

From all of our discussion above, we propose our conclusion with a polarised framework (See Figure 4) about the preferable usage of respective LOC control systems between top and middle management. Our polarised targets will be four control systems of Simons' LOC (1994) whereas the top management will refer to using mechanistic controls (Galbraith, 1973) like boundary and diagnostic controls systems. While the other two belong to the preferable usage of middle management teams. Which all of them are used with an ultimate purpose to ensure the group strategy is implemented in the subsidiary. Although the PMI context only plays a trigger role for the top management to change and adjust the MCS, we would opine that thanks to this kick-off we can model the different preferable usage due to the unambiguous activities we can observe between management levels.

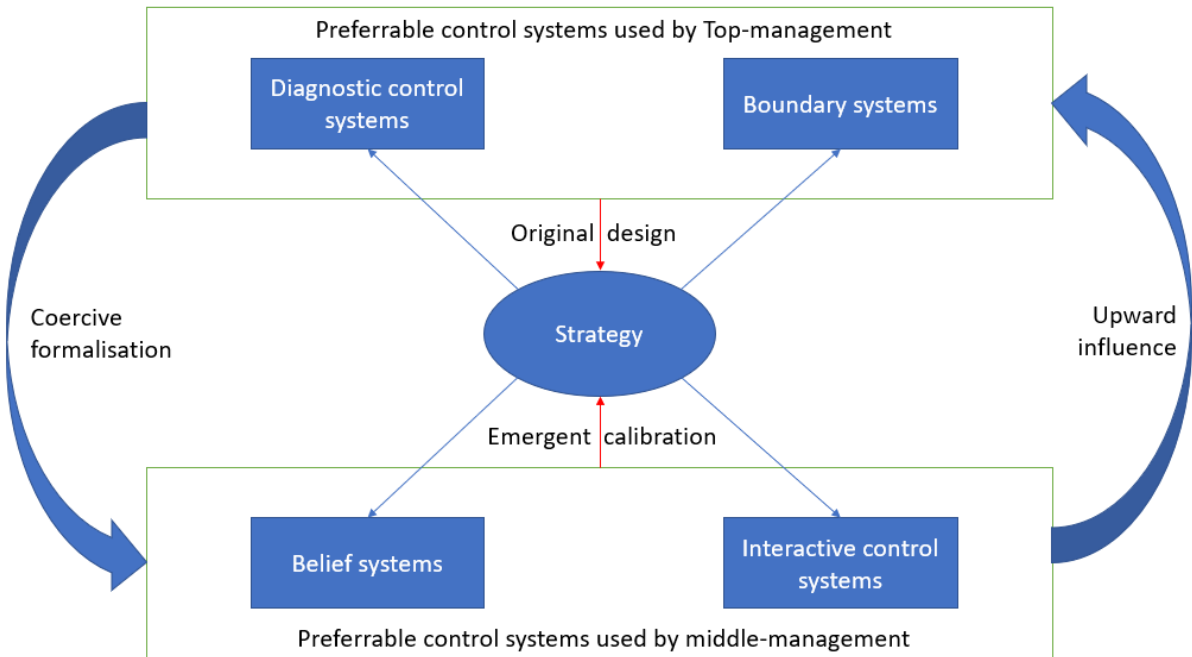


Figure 4. Our proposal about the preferable usage of different LOC between management levels (based on Simons (1994), Adler and Borys (1996); and Floyd and Wooldridge (1997))

## **5.4 New global and local laws putting as a contingency factor for more coercive control**

When designing our case study, we did not expect to find this new contingency factor which affected the way of using MCS in an organisation. Through our interviewing process, we found out that most of the MCS studies focused on internal mechanisms to enforce the strategy compliance while the new regulations and laws from different countries are also a key factor that urge a more coercive control approach in the organisation.

Since our case company is not operating in the financial industry, the Sarbanes–Oxley Act of 2002 (SOX) is not applicable and we cannot navigate the roles of it. However, starting from 2015 onward, listed companies in the European Union are required to publish their sustainability report (European Commission, 2014). This leads the top management to include more regulations and proscriptions under the LOC boundary systems (Simons, 1994) to avoid any sanction from the EU authorities. Furthermore, the organisation needs to follow or develop their measurement to keep track with sustainability compliance which in turn a more coercive formalisation under LOC diagnostic control systems (Simons, 1994). The same situation is also observed if the nation where the factory is located regulates new laws, the business unit must ultimately follow and the local managers must implement stricter boundary and diagnostic control systems at the local level.

Another interesting point we may suspect is about the role of interactive control systems (Simons, 1994) between management levels when it comes to the law compliance. As we argued in Section 5.3, this control system plays a key role for middle management to channel their upward influence to top management. However, when it comes to law compliance from the nation where the Group HQ is located, this LOC is totally dissolved.

Therefore, we conclude that, when a new law is promulgated, the organisation will tend to use their boundary and diagnostic control to make sure the compliance is in place through a coercive formalisation (Adler and Borys, 1996) while the belief system is non-observable to be used and the interactive control system (Simons, 1994) is totally hidden when it comes to this contingency factor.

## **5.5. Limitations and further research**

Our master thesis is under several limitations. In Chapter Two of the thesis, we have listed some of the limitations of the research design. In this part we will list some other limitations and restrictions of the case study.

The first limitation of our case study is not choosing a defined framework from previous authors and using it for data collection and analysis. Rather, we developed and adapted our own framework. The methodology of not selecting a specific framework related to the Management Control System and Post Merger Integration could penalize us for not analysing in an appropriate technique the data collected. Despite not choosing a framework and analysing the data in a fully proper method, developing our own framework made us be unrestricted and open-minded on the interviews and what information we collected from the company. Hence, the information collected through the questionnaires was evaluated in relevance to the theoretical background of our own framework. Although, we recognize and inform that the analysis and conclusions of the empirical research may not include all the relevant information, hence future research may use these issues to analyse this topic by using a different procedure and to examine other dimensions.

There are some dimensions of the management control system which could not be observed. It was difficult and impossible to have extra information which would be valuable to our thesis to further investigate the effects of reorganizational structure on the management control system of the company. The solution to minimizing this problem was to obtain information from the management level of the headquarters. However, it was not possible to contact them and conduct an interview which negatively influenced our research. Moreover, it was not too beneficial to us to collect data from the limited number of the employees that we interviewed. Thus, the research question was adapted according to the employees we had access to. Hence, the empirical data is collected from the employees of the factory that we had the possibility to conduct the interviews. According to this situation, the findings of the thesis rely on the opinions of eight employees. Therefore, the analysis of the findings may be biased and influenced by excluded information. Hence, we clarify that future research can interview different participants and have a different and more extensive view of the research.

Another limitation is related to the bias information. At first, one of the employees that we conducted an interview with, was fired from the company a year after the company merged divisions. Hence, the information obtained from that participant may be biased due to the situation of getting fired. Moreover, the other employees that we have interviewed have experience in both periods before and after integration, hence their opinion may be biased to their experience and preferences. Thus, data collected from the employees may not reflect a neutral situation of the company before and after integration. Moreover, we are biased according to the respondents as most of their background was accounting, finance or engineering, which impacted the results of the thesis. Additionally, limitations

arise on the methodology that we used in collecting data and not having permission to record. Restriction on not recording the video or their voices raised due to the distance and as the information was confidential, the employees could not take this risk. Due to the pandemic situation, all of the tools that we used were online and Facebook was used as well to collect data. These limitations can be diminished in future research by investigating the company in different dimensions and choosing the employees who do not have issues with the company and their opinion will not be restricted. Furthermore, in the future research methodology of collecting data can be other than ours, hence additional information can be collected.

The conclusion is that this study has various limitations. As an explorative type of study, the methodology used in the thesis could be a part of future research. Furthermore, the future methodology to be used in a study similar to ours could result in different findings and contribute to other aspects which are not included in this study. It would be interesting to look at a study similar to ours in the future, but without the limitations that we collided with, such as limited number of employees and restriction on recording the interview, hence the results could be general.

## **6. Conclusions**

In this paper, we tried to answer our two research questions through an explorative case study. By observing a factory during the internal integration between divisions in a multinational corporation and breaking down the management hierarchy, we find the different ways of using MCS between different manager levels although all of them pursue the same Group strategic objectives.

Firstly, during the PMI initial stage, the top management will focus on imposing the hard controls like Simons (1994) boundary and diagnostic control systems to their subsidiaries in the newly created organisational structure. This is proven that Simons (1994) lessons about the newly appointed top managers usually lean on using financial measurements during their first period in office are still applicable in our recent practical world. Another reason for this usage is that coercive formalisation will unalienate the newly acquired divisions with the integrated Group policies and procedure (Adler and Borys, 1996) hence can slowly channel them to accept new shared values and beliefs.

Secondly, when being exposed to the aforementioned mechanisms, the middle level managers will naturally react as a psychological behaviour to protect themselves by starting to influence back the top management (Floyd & Wooldridge, 1997). Their key weapon is the LOC interactive control system which is originally designed by the top leaders to supervise their decisions. Through interaction and discussion with top management, the middle management may pursue empire building through upward influence as well as using the extant belief control system which are still intact in their responsible division to have strong negotiation for any emergent strategy in the near future.

A small unexpected but interesting phenomenon that we extract from this case study is that national laws and regulations can push the corporate to design their boundary and diagnostic control systems in a more coercive way to meet the demand. However, we will propose that we need more study linking the national law compliance and MCS to have a correct conclusion about this matter since this observation is only drawn from our case company.

We are fully aware of several limitations and restrictions that exist for this study. Nevertheless, we hope that our paper can be a small piece which can contribute to an enormous MCS picture and organisation research field in the academic world.

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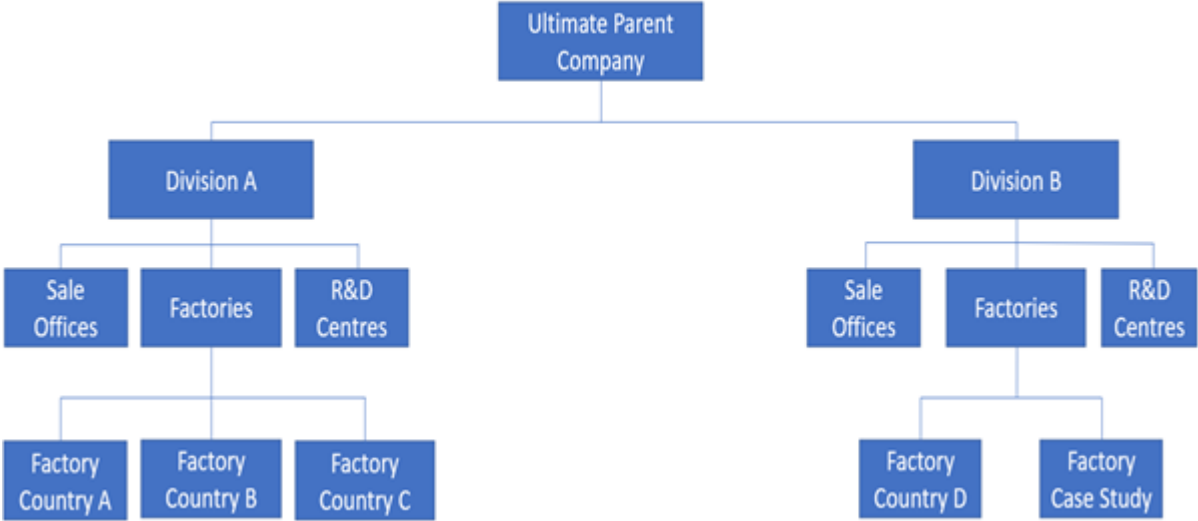
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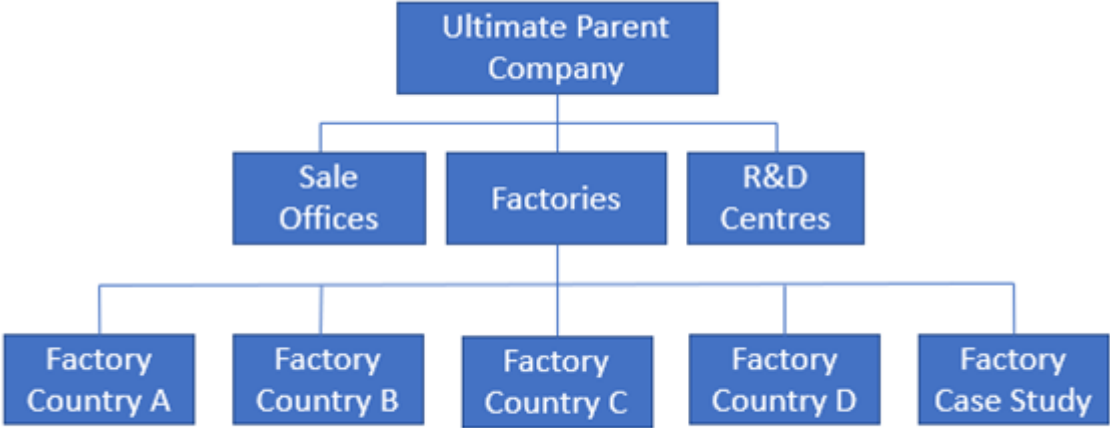
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**Appendix**

**Appendix A - Group organisational charts before and after integration**



*Figure 1. The Group organisational chart before the merging of the two divisions*



*Figure 2. The Group organisational chart after the merging of the two divisions (2016 to present)*



Figure 3. The Group organisational chart before the merging of the two divisions



Figure 4. The Group organisational chart after the merging of the two divisions

**Appendix B - Figures from books and academic articles**



Figure 5. General relationships among planning and control functions, adapted from Anthony et al (2014) p.44

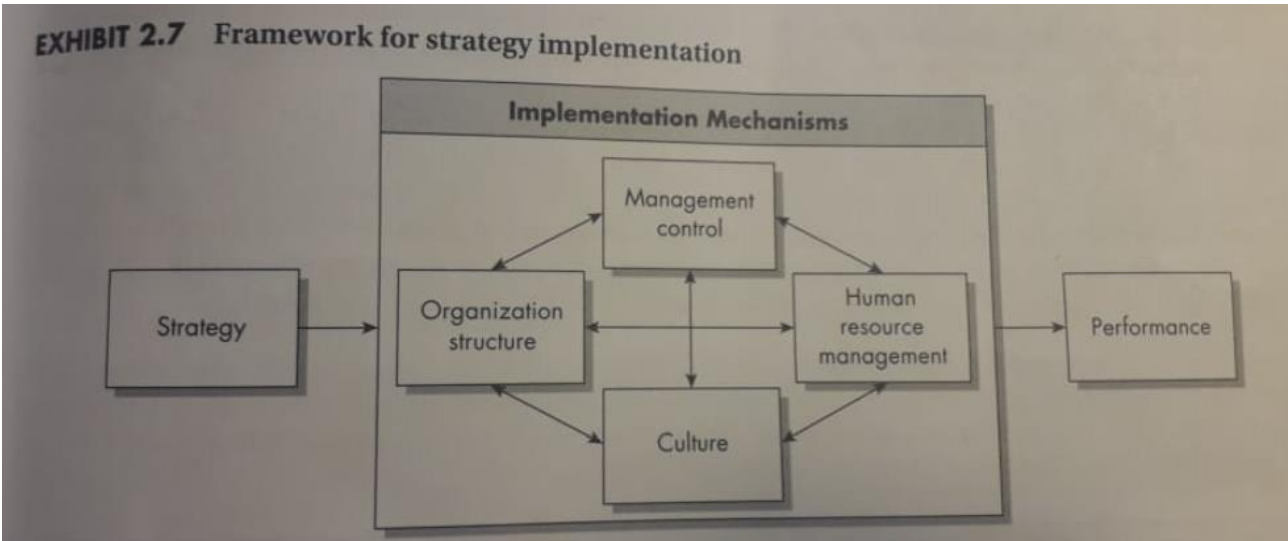
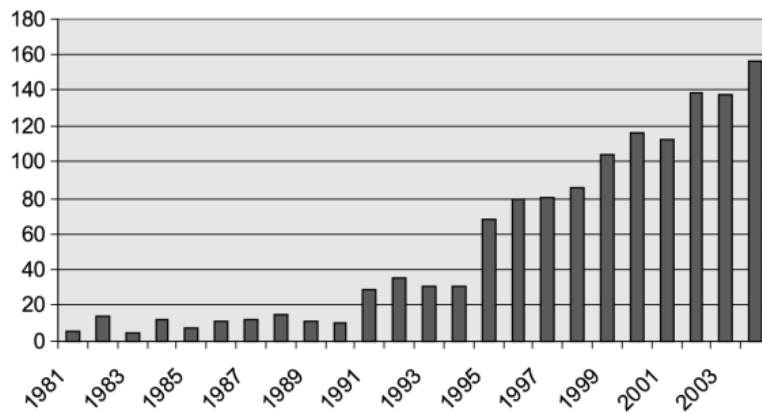


Figure 6. Framework for strategy implementation, figure from Anthony et al (2014) p.45



**Figure 5.**  
Performance measurement  
publications per year

*Figure 7. Performance measurement publications per year since 1981 to 2005, figure from Neely (2005) p.1273*

## **Appendix C - Interview questionnaire with APAC CFO**

1) Which are the key objectives of the factory (other than your finance department)? To your most knowledge, these objectives are decided by whom? Do you participate in that process like discussing the objective feasibility with a higher level? What were the main changes before and after the integration between 2 divisions?

2) Which are the key objectives for your APAC finance team? These objectives are decided by whom? Do you participate in that process like discussing the objective feasibility with a higher level? What were the main changes before and after the integration between 2 divisions?

3) How are these objectives communicated and pervaded through the organisation (to lower-level managers and employees)? In your responsibility, how did you communicate to lower-level APAC finance managers? Were your direct report managers allowed to participate and share their ideas with you?

4) When was the integration strategy (between 2 divisions) decided? Who designed the strategy and how many times was it reviewed? Who participates in the design of the strategy?

**Below questions are designed to compare the changes between before and after the integration between 2 divisions in Group A, if it is possible, please specify your kind opinions for before and after the integration:**

1) How is the organization structured? Top level centralized or federalism decentralized or a balanced model between two previously mentioned? What autonomy do the APAC level have before and after the integration?

2) What are the key performance measures for the APAC finance team and how are they specified? Who has the responsibility to determine? Who participates in the target-setting meetings? Could you briefly explain the mechanism used and how are the steps communicated to the employees?

3) What about the performance of individual employees? How is the performance of employees measured individually or in the group? Which is the measurement used? In case the employee's performance is not good, what actions do you take or in the other case if their performance is very good (the bonus/punishment mechanism)?

4) What kind of tools are used (e.g., e-mails or weekly meetings) to support the information flow in the APAC area? Could you briefly describe and explain?

5) Which are the tools to measure performance in the APAC areas (e.g., Financial or non-financial measures)? Which are mostly used? Example for non-financial measures: customer satisfaction, lead-time of product, company reputation, supplier loyalty, etc...

6) As a team leader, how did you inspire your APAC team members to achieve the target and desired performance? Which tools do you think are most effective (monetary bonus, peer recognition or opportunity for more complicated tasks, etc) to motivate team members to work? Did you also want or try to create a teamwork and knowledge sharing atmosphere in



your APAC team?

7) The overall culture of APAC, do you think that it was influenced by U.S divisions when most of APAC regional management were from U.S? When the integration was completed, did you consider that the culture was still the same? If there were any changes, could you specify that?

8) About cooperation with other departments such as regional procurement team, sales team, R&D, etc, how do you evaluate this cooperation? Was it toward friendly cooperation between departments or toward isolation? Were there any changes before and after integration?

9) Did you think that European headquarters provide enough support for your work in APAC? When there was a conflict between your opinions and theirs, did they consider your opinions seriously or just decide on their own?

10) If you were granted the full authorization to design the integration? Which points do you want to change? Which points would you keep?

## **Appendix D- Interview questionnaire with the factory director**

1) Which are the key objectives of the factory for the starting period 2009-2015, integration period 2015-2017 and from 2018 to now? To your most knowledge, these objectives are decided by whom? Do you participate in that process like discussing the objective feasibility with higher levels? What were the main changes before and after the integration between 2 divisions?

2) Which are the key objectives for your factory? These objectives are decided by whom? Do you participate in that process like discussing the objective feasibility with a higher level? What were the main changes before and after the integration between 2 divisions?

3) How are these objectives communicated and pervaded through the organisation (to lower-level managers and employees)? In your responsibility, how did you communicate to your factory managers? Were your direct report managers allowed to participate and share their ideas with you?

4) Your philosophy about “if the company takes good care of employees, then employees will take good care of the company’s business”, where did you learn this philosophy? How did you apply this philosophy to create the organizational culture in the factory?

5) Taking good care of the employees means that you have to allocate financial resources for bonuses and other incentives in order to motivate employees. Is there any challenge from the top management when they want to direct the resources to the other departments? How could you balance between taking good care of factory employees and resource allocation and priority from headquarters?

6) To your best knowledge, when did you know about the integration strategy between 2 divisions? Who communicated to you to inform you about the integration?

7) Do you have any fear that the headquarter may decide to outsource the manufacturing process to EMS companies

(Electronics Manufacturing Services) because of the low margin they can offer? Do headquarters use benchmarks to set up your annual target?

8) How do you encourage “Kaizen” behaviour in the factory? Are you satisfied with the Kaizen initiative in the factory? What factor do you think affects Kaizen behaviour mostly?

9) About the recruitment process, what do you value more from the recruit candidates: their talent or their attitude toward the work? Is there any other specific characteristic you also expect from the candidate if you want to hire them?

10) Do you think that employees’ loyalty is also a key factor to maintain the organizational culture in the factory? But nowadays, loyalty is a luxury item to require for an employee. So how do you manage this issue to maintain the stability in the factory?

**Below questions are designed to compare the changes between before and after the integration between 2 divisions in Group A, if it is possible, please specify your kind opinions for before and after the integration:**

1) How is the organization structured? Top level centralized or federalism decentralized or a balanced model between two previously mentioned? What autonomy do the factory have before and after the integration?

2) What are the key performance measures for the factory and how are they specified? Who has the responsibility to determine? Who participates in the target-setting meetings? Could you briefly explain the mechanism used and how are the steps communicated to the employees?

3) What about the performance of individual employees? How is the performance of employees measured individually or in the group? Which is the measurement used? In case the employee’s performance is not good, what actions do you take or in the other case if their performance is very good (the bonus/punishment mechanism)?

4) What kind of tools are used (e.g., e-mails or weekly meetings, informal conversations) to support the information flow in the factory? Could you briefly describe and explain?

5) Which are the tools to measure performance in the factory (e.g., Financial and non-financial measures)? Which are mostly used? Examples for non-financial measures: lead-time of product, stock rotation time, just in time method, etc...

6) As a factory leader, how did you inspire your team members to achieve the target and desired performance? Which tools do you think are most effective (monetary bonus, peer recognition or opportunity for more complicated tasks, etc) to motivate team members to work? Did you also want or try to create a teamwork and knowledge sharing atmosphere between departments in your factory?

7) The overall culture of APAC, do you think that it was influenced by U.S divisions when most of APAC regional management were from U.S? When the integration was completed, did you consider that the culture was still the same? If there were any changes, could you specify that?

8) About cooperation with other departments such as regional procurement team, sales team, R&D, etc, how do you evaluate this cooperation? Was it toward friendly cooperation between departments or toward isolation? Were there any

changes before and after integration?

9) In your opinion, do you think there is also good cooperation between factories within the Group? Do you think that after the integration, the cooperation between factories improved, especially between factories belonging to previous different divisions?

10) Did you think that European headquarters provide enough support for your work in the factory? When there was a conflict between your opinions and theirs, did they consider your opinions seriously or just decide on their own?

## **Appendix E- Interview questionnaire with lower level employees**

1) Which are 3 key objectives of your work scope? Is there any big difference between the year 2016 and now? If yes, can you please specify?

2) Do you have the opportunity to take part in the process to decide your work scope and target objectives with your direct manager?

3) How are Group objectives communicated to you through your direct manager? Were you allowed to give feedback about these objectives?

4) To your best knowledge, when did you know about the integration between 2 divisions? Who communicated to you to inform you about the integration?

5) How do you evaluate the “Kaizen” atmosphere in the factory? Do you try to contribute to the Kaizen initiative in the factory? What factor do you think affects Kaizen behaviour mostly?

6) How long have you been working for the factory? Why have you been attached to the factory for such a long time?

**Below questions are designed to compare the changes between before and after the integration between 2 divisions in Group A, if it is possible, please specify your kind opinions for before and after the integration:**

7) What kind of tools are used (e.g., e-mails or weekly meetings, informal conversations) to support the information flow in the factory? Could you briefly describe and explain?

8) Are you satisfied with your work scope before and after the integration? Is there any change in your satisfaction before and after the integration? If yes, can you specify and elaborate?

9) The overall culture of the factory, do you think that it was influenced by U.S divisions before the integration? When the integration was completed, did you consider that the culture was still the same? If there were any changes, could you specify that?

10) About cooperation between departments in the factory, how do you evaluate this cooperation? Was it toward friendly cooperation between departments or toward isolation? Were there any changes before and after integration?

11) In your opinions, how do you evaluate cooperation between the factory and Italy after the integration and between the factory and U.S division before the integration? Was it better or worse?

12) Did you think that European headquarters provide enough support for your work in the factory? When there was a conflict between your opinions and theirs, did they consider your opinions seriously or just decide on their own?

**Appendix F- Survey questionnaire, which is the same for all the participants**

Question	1	2	3	4	5
Grading the top management (European Headquarter) 's attitude toward lower-level managers and employees' opinions. 1 is no consideration at all – 5 seriously value employees' opinion.					
The autonomy level in the APAC region before the integration. 1 has no autonomy while 5 is totally autonomous.					
The autonomy of the employees to develop their own performance measures. 1 has no autonomy while 5 is totally autonomous.					
Monetary compensation and bonus affect <u>your</u> satisfaction. 1 is totally not satisfied while 5 is totally satisfied.					
Monetary compensation and bonus affect <u>your team members'</u> satisfaction (in your opinion). 1 is totally not satisfied while 5 is totally satisfied.					
Rating your satisfaction regarding the working environment <u>before</u> the integration. 1 is totally not satisfied while 5 is totally satisfied.					

Question	1	2	3	4	5
Rating your satisfaction regarding the working environment <u>after</u> the integration. 1 is totally not satisfied while 5 is totally satisfied.					
Rating your opinion about your ideas/opinions to be listened/considered or accepted by higher level. 1 is totally disregarded while 5 is totally					

considered.					
Rating collaboration with middle and top-level management. 1 is a totally top-down approach while 5 is totally interactive and highly cooperative.					
Rating your opinion about the importance of organizational culture. 1 is totally useless while 5 is totally important.					
Rating your opinion about organizational culture in the APAC region. 1 is totally hostile while 5 is totally friendly and cooperative.					
Rating your opinion about organizational culture in European Headquarter. 1 is totally hostile while 5 is totally friendly and cooperative.					
Rating European Headquarters' competence. 1 is totally incompetent while 5 is highly competent.					
Rating European Headquarters' support in your work. 1 is no support at all while 5 is highly supportive.					
Rating cooperation between departments in APAC. 1 is totally hostile at all while 5 is totally cooperative.					
Rating cooperation between departments in European Headquarter. 1 is totally hostile at all while 5 is totally cooperative.					