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Interrelation and adaption of MC package elements in combination with SME growth

A retrospective single-site case study

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Growth,
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CEO experience,
Start-up company,
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ABSTRACT

This paper uses a single-site, qualitative, retrospective case-study in order to gain knowledge about the interrelation and adaption of Management Control (MC) package elements in combination with SME-growth. The control elements were hereby classified as planning, measurement, compensation, administration and socio-ideological. The utilised package perspective allowed a holistic and interrelated view upon the named MC package elements. It could thus be seen which impact some elements have on others, revealing that 1) Small companies in their start-up phase use direct, informal controls. Company growth then entails the need for a formal MC package. Once a formal MC package is implemented, it is needed for further growth; 2) Specific MCS elements are connected. This means that either change in one element automatically occurs due to the adaption of another, or one element is purposely changed in order to support another; 3) Formal MC package introduction does not mean more control but rather inherits a shift from informal to formal monitoring while retaining the same control intensity; 4) MCS elements have to be introduced at the right time in order to guarantee their effectiveness. Launching them at the wrong point can be either ineffectual or even lead to negative outcomes; 5) CEO experience and the persistency on MC enforcement are crucial for MC success; 6) Proper MC introduction has the ability to enhance SME growth.
1 Introduction
Researchers during the last decades have concerned themselves with the question how companies manage to grow. One of the spotted factors that influences company growth is well conducted managerial control. This paper focuses on how managerial controls are achieved and how the sort of control varies due to company size. The focus of this empirical research lay hereby on SMEs.

Background
Discovering more about the growth of SMEs is of big interest since they are important for the positive economic outcome of every country. Macpherson and Holt (2007, p.172) state that “[i]t is widely recognised that small firms make a significant contribution to economies and [it is] so understandable that there is a persistent empirical research theme that addresses issues of small firm growth.” Finkbeiner (2011) expressed this numerically in his article and states that 23 million SMEs existed in the EU-27 states by 2009. They employed more than two thirds of the total workforce (67,4 %) and generated almost 60% of the total value added. SMEs represent a big fraction of the total number of companies in Europe.

Being aware of the fact that not all SMEs aim to grow, it is desirable from an economic point of view if these firms enhanced their business and hereby improved the economic outcome of countries. Company growth can be influenced by many factors. Indentifying those elements and thus receiving practical advisories for companies is elementary from a research perspective.

Two elements that strongly affect the economic outcome of SMEs are strategy and MC. These two integral parts have a connection, as Merchant and Van der Stede (2007) state. They view management control as the disposition to impact strategy. Accordingly the realisation of strategy is firmly influenced by the company’s managerial control. Macintosh and Daft (1987) see the topic from a slightly different perspective and state that the measured parts of control are mostly visible parts of a strategy. Either way, whether strategy influences MC or whether the MC influences strategy, the named authors attest that management controls and strategy are connected. The elements can thus not be viewed separately. A change in one of the elements impacts the other.

In contrast to the processed connection between control and strategy, there are further connected elements within SMEs that received less remark in the past. One of them is the
connection between growth and MC. Gaining more information about connections between other elements is desirable since SMEs are crucial for economic outcomes. Their growth can be influenced by the way the company is managed and controlled. In turn growth has the ability to improve economic results.

**Problem**

Indeed many papers about SME growth and MC exist (e.g. Roper, 1999; Robson and Bennett, 2000; Frigotto and Granziano and Collini, 2011; Hillbrand, 2006; Schneider and Dowling and Raghuram, 2006; Slywotzky and Wise, 2003). However these articles view the elements of issue as separated systems and operations. This signifies that SME growth and MC are each studied as independent objects. A possible connection and interference is mainly disregarded in the common literature which leads to insufficient understanding of the conjunction between these elements. Although many studies have attempted to highlight explicit factors that influence the design and the functions of organisations, the linkage between growth and the MC of the companies is mostly not regarded. Disregarding the connection can be caused by many factors. One of them might be that the definition of the MC is too narrow which leads to an exclusion of a possible interrelotation. Yet, individual articles as the one of Davila and Foster (2007) turn their focus on the connection between growth and MC. Though, their article has some shortcomings. It is crucial for a correct outcome of studies to use the appropriate definition of MC. Research over the last decades has regarded MC under several viewpoints. Different MC specifications were chosen which contained varying elements (Malmi and Brown, 2008; Bedford and Malmi, 2010). However, not every of these definitions are qualified to discover all aspects of the connection between a company’s control system and its growth. Davila and Foster (2007) define their observed managerial controls as a Management Control System (MCS). Regarding the controls as a system yet leads to several problems, as further described in “2.2 The Management Control Package”. Their MCS is subdivided into eight categories, stressing financial and HR-factors. The interrelation of the objects is thus only limitedly visible. Rather Management Control package approaches as the one by Bedford and Malmi (2010) are suited for in depth studies. It provides the possibility to use a holistic view upon the topic and to take a possible linkage between the MC elements into account. That means that some elements affect others and can thus not be seen as separately-acting entities. Enhanced knowledge about the element interrelation is crucial for MC adaption in practice. This is exactly what the existing research lacks. Davila and Foster (2007) identified this
shortfall. Thus they suggest further research on how MC elements influence each other. This underlines the need for deeper understanding about the connection of interrelated MC packages and firm growth with a holistic view.

**Aim**

This paper aims to demonstrate how SME growth and Management Control Packages are connected. The objective is to gain an understanding about how MC packages change and develop in companies with growth strategies. This can only be done correctly by reckoning the MC package together with SME growth in a holistic observation. Thus a possible linkage between MC elements can be taken into account. This complex reflection is crucial since it allows an accurate view upon this field of study. The holistic view entails the need for an explorative and deep study of MCs in a SME with growth ambitions in order to fully comprehend all facets of the topic. Only an explorative investigation provides accurate feedback that can be used for practical adoptions. Empirical evidence will be provided by a case study of a German SME that experienced rapid growth in the past and also faces more growth efforts in future.
2 Theory

2.1 Growth and Growth strategy
The majority of entrepreneurial theories assume that firm’s growth usually happens unsteadily and lacks certain continuity. Nevertheless managers must plan the company’s future and thus somehow set targets. Commonly these targets focus on more growth or increased profitability (Hillbrand, 2006). Hillbrand (2006) further states that the ordinary perception of a healthy firm is that it has the capability to grow at a constant rate. Even over-average growth achievements are fulfilled if firms have the possibility. The facts that the management tends to plan constant growth, and is exposed to non-continuity at the same time, contradict each other. Growth is thus a variable that has to be regulated and managed but is a factor that always comes along with partial uncertainty.

Growth has to be administered and the way to deal with it depends on criteria such as company size. Five different stages of growth have to be distinguished for SMEs (Scott and Bruce, 2000). In the beginning of a company’s existence commonly informal approaches are used to manage the organization. The informal way of managing is advantageous in terms of agility. It however involves a lot of direct, personal interaction and communication. As it can be easily imagined this form of managing becomes obsolete with enhanced company size, since the expenditure of time becomes too big. At that point the Management Control elements take effect. With the aid of the provided MC-infrastructure the management becomes able to deal with increased complexity. Without such formal systems, the amount of information-allocating actions increases exponentially with the size of staff. Davila and Foster (2007, p. 933) did research on this topic and reveal that “the adoption of MCSs is positively related to company size and, simultaneously, company size is associated with the presence of these systems.” Sandino (2007) found out that companies, depending on how big or advanced they are, have different MCS. In the early stage of their existence, all of the 97 sampled companies adopted similar, basic MCS. The more advanced the MCS due to strategic growth, the more it differs according to the strategic alignment of the firm. Chenhall (2005) also identified that companies, depending on their lifespan, have needs for different MCS. More mature or larger companies develop more formalized MCS. Henceforth it is clear that growth and MC are connected and that there are different stages of MC adaption. In order to fully grasp the extent of the topic this section serves as a
reminder that pushing growth must be in line with firms’ ambitions. MCs certainly have the ability to influence behavior. In fact that is one of their main purposes. Hence the MC elements must be constructed and closely observed in a way that there is an alignment with the firm’s strategy. That means for instance that a company with a growth strategy should construct the MC in a way that growth is pushed. (Hong, 1996)

For the sake of completeness it should be mentioned that growth is not always desirable. Davidsson and Fitzsimmons (2009) did research in this field and come to the conclusion that enterprise growth can but does not necessarily have to be positively related to profitability enhancement. They e.g. state in their findings that positive effects on profitability through growth are reached by economies of scale\(^\text{1}\). Furthermore, especially for small firms, growth can lead to a profitability advantage because rapid growth yields a dominant market position. Negative financial effects arise because growth does not only mean an enhancement of employee number or building size. It also means that processes have to be changed and thus lead to an array of managerial challenges that require much attention. The increased attention reduces profitability-enhancing effects or even turns them into negative monetarily outcomes. Understanding the effects of strategy choice is crucial for every SME since “growth and profitability will depend on the firm’s operating environment, its initial market position and its choice of business strategy.” (Roper, 1999, p. 245) Roper (1999) further illustrates the complexity of e.g. growth and deductive profitability effects. In the short term there is a weak bond between growth and the profit rate of small companies. On the other hand he found out that firm characteristics as “having formal sales targets” lead to a negative effect on profitability and growth. There is a managerial dilemma because some growth effects lead to positive, other to negative and others in turn to no effects on profitability. The management thus has to deliberate about whether to initiate growth in different fields of action.

Summing up, organizing strategy for growth is very complex and company growth does not automatically mean growth in profitability. The managerial decision of business enhancement is thus a very delicate one, especially because company size and growth rate effect situations as well. MCs support the information the management attains and also

\[ \text{Average Total Costs} = \frac{\text{Total Fixed Costs} + \text{Total Variable Costs}}{\text{Quantity}} \]

\(^\text{1}\)Cost advantages due to expansion. The Average Total Costs per unit decrease with a higher total output.
influence growth of companies by affecting different processes. The connection between enterprises’ MC, its strategic decision making and growth is thus an important factor for managerial implications in practice. Unfortunately there is hardly any research that focuses a holistic observation of MC adaption and company growth. The existing articles especially lack the extensive examination of the MC as a package. Also the connection between the MC elements is hardly observed. This article aims to tie in with the existing research and objects to provide a deeper understanding of the coherence between MC and SME growth. The complex approach requires an empirical study, which is conducted with a successful German SME that experienced rapid growth in the past.

2.2 The Management Control package
Before using the term Management Control it is important to define the exact meaning. This is especially fundamental because several differing definitions exist in the common literature. In the following a selection of different definitions is listed to generate an understanding of how these can differ. If deeper knowledge in this field is required, it is suggested to study the article by Malmi and Brown (2008), or Bedford and Malmi (2010).

Merchant and Otley (2007) and Albernethy and Chua (1996) represent a rather narrow view of Management Controls. They limit its influence on monitoring and changing employee behaviour in order to make them act in an, for the company, advantageous way. The focus here is clearly on behavioural control, a strategic impact is disregarded.

Chenhall (2003) defines Management Control Systems (MCS) as a control system that includes Management Accounting Systems (MAS) and further controls such as clan and personal controls. MAS are here defined as systems that use Management Accounting (MA) systematically in order to attain a certain goal. The latter is a collection of practices like budgeting or product costing. Accordingly MCS include the systematic use of e.g. budgeting or product costing in combination with clan and personal controls. Yet, the MCS comprises a narrower view upon Management Controls than MC packages do. Latter have been researched by Bedford and Malmi (2010).

Bedford and Malmi (2010) attain a very precise and broad outlining of Management Controls, which is thus useful for the purpose of this paper. The authors provide a holistic view of management controls as a package. This leads to an outline of the elements included in the MC package, which possesses the chance to draw conclusions about their interrelation. Furthermore only a holistic perspective offers the possibility to connect a
company’s MC package to SME growth to its strategy implementation. Bedford and Malmi (2010) classify MC as a package, including the control elements planning, measurement, administrative, compensation and socio-ideological. It is important to view the MCs as a package since its contents do not function in isolation. The package elements influence each other respectively and affect the other element’s characteristics. Most literature, however, omits the package-view and/or disregards a possible interrelation of the MC elements (e.g. Merchant and Otley, 2007; Albernethy and Chua, 1996). Viewing them separately can lead to faulty conclusions. The transformation of one MC-element could then be ascribed to a company’s characteristic trait instead of a change in another element. This could concretely mean that e.g. a firm’s performance measurement-change is associated to environmental conditions but is in fact caused by a change in culture.

**Planning controls**
Planning determines the objectives of functional fields of an organization. This conducts the effort and attitude of the team members. Furthermore planning control leads to the accomplishment of standards in relation to aimed goals. It also allocates resources and clarifies expectations. Within this “ex-ante form of control” (Flamholtz, 1985) two types of planning have to be differentiated - action planning and long-range planning. The focus of action planning is on the immediate future within the next 12 month-period or less. Goals and actions in the short-term period are established. Long-range planning focuses on the strategic orientation of actions and goals in the medium and long run. Planning in general can include more or less participation of employees, meaning that the extent subordinates are involved in planning decisions, varies. Planning can, but does not necessarily have to, have a financial focus. When analysing planning, researchers have to consider whether it is done to build up employee commitment or if it is simply done to determine future operations.

**Measurement**
This field of control relates to capturing and assigning numbers concerning the firm’s behaviour and activities. Individuals show a tendency to focus their efforts on things that are measured. The management is able change working parameters by openly declaring what is measured. That means that the measurement in this case does not only include the monetary, accounting, matters but also other control factors. The key aspect, however, is the (accounting) information used by the management in order to influence the behaviour of subordinates. Traditionally emphasis was put on budgets and standard costing. Today
more actions are included into the accounting perspective that mirror reality in a broader and more detailed manner.

Based on a survey of 205 Austrian and German SMEs, Schachner, Speckbacher and Wentges (2006) did further research concerning the impact of company magnitude on its performance management system. The study firstly discovered that there must be a distinction between enterprises that are owner-managed and those that are not. Owner-managed entities use formal performance management tools, as Balanced Scorecards, less often. Though, there is a positive correlation between company size and formal performance management systems. That means that bigger companies with an owner-manager use formal tools like Balanced Scorecards more often. Non-family firms tend to more usage of formal tools even when they are smaller.

**Administrative controls**
The firm’s structure, its formal policies and its employee influencing policies and procedures are impacted by this control mechanism. The company’s structure, meaning the patterns of authority and its information exchange habits are designed in a for the company optimal manner. Specific relationships are promoted and the communication between certain individuals and groups are motivated.

**Compensation controls**
This type of control has a motivational aim and focuses on the increase of individual and group performance. Rewards systems vary between those that stress intrinsic and those with extrinsic emphasis. The performance of employees can be impacted in three directions: effort direction (which tasks are in focus?), effort duration (how long are the tasks focused?), and effort intensity (how strongly tasks are in focus?). (Malmi and Brown, 2008)

Compensation is both, an ex-post and ex-ante form of control. The latter means that effort is directed towards a desired objective by anticipating the obtaining of a reward. The ex-post form rewards outcomes after the action has been done. This gives directional feedback that influence future activities of individuals.
**Socio-ideological controls**
This kind of control complies with “efforts to persuade people to adapt to certain values, norms and ideas about what is good, important, praiseworthy, etc in terms of work and organisational life” (Alvesson and Karreman, 2004). The MC package should be based on the socio-ideological control since all the other controls have to comport with the created believe-system in order to be effective. The higher the extent of shared believes and values and the more unified in terms of direction they are, the greater the value-confirming pressure for newcomers will be. This is especially important for companies that are fast growing and/or fluctuating in terms of employee number.

2.3 Contemporary knowledge about the connection between the MC package and growth strategy
There is existing literature that provides information about the connection of growth strategy and MCSs, as pointed out in the previous sections of this thesis. The articles procure a base upon which this article is built on. Yet, they also lack certain important information or view the field of study from a different angle. This section facilitates a selection of articles and discusses their constraints in order to delimit the existing knowledge.

With respect to contingency-based research a holistic view is crucial for attaining extensive findings concerning controls and context (Gerdin and Greve, 2004). Adapted to MC packages this means that the control elements are not only delimited to bureaucratic formalities as budgets and performance measures, but also adhere informal controls with a social or cultural focus. Important is also the knowledge of the elements functioning as a package and only reaching efficacy trough good matching (Cäker and Siverbo, 2011; Bedford and Malmi, 2010). Malmi and Brown (2008) as well as Bedford and Malmi (2010) paved the way for a holistic perspective of MCs by viewing the MC elements as a package. This is crucial as Chenhall (2003) delineates, since it is important to deliberate how/whether control systems relate to each other and e.g. operate as complementary or subsidiary systems.

The main research topic of this article is the connection between MC packages and SME growth. This connection is hardly touched in the existing literature. After all, some literature draws attention on the connection between growth and a company’s MCS, reaching the quintessence that more mature or larger companies develop different MCS
(Sandino, 2007; Chenhall, 2005). Also Davila and Foster (2007) turn their focus on the connection between growth and MCS. They, however, do not use the MC package approach, meaning that a mutual impact between the MC elements is not being looked at. Sandino’s (2007) focus is on how strategy and the corresponding MCS influence each other in terms of performance, concluding that design matching between strategy and MCS results in better performance. She also looks at how company growth is influenced by the MCS. Her study focuses on early-stage firms, but she limits the findings on the retail industry and obtains her data from a recollection of survey respondents instead of real-time data. Also her article lacks a holistic view upon MCS as a package. Chenhall (2005) sees a connection between assisting and hindering change through MCS implementation or adjusting. In general he focuses on the role MCS play in formulating and implementing strategy. His research, however, does neither focus on SMEs nor does it have a focus on growth or utilize the package view.

In general it can be said that much literature focuses on the interrelation of MCS and Strategy. The growth-aspect is however mainly disregarded or lacks a detailed, holistic view. Also the package perspective is generally not used to a full extent. This results in the need for an in-depth analysis of the named connection, which will be the key research question of this study.

2.4 Expectations and assumptions
It is expected that there is a connection between the MC package and growth. This signifies that strategic decisions concerning the venture’s growth influence the design of the MC package. The strategic decision to grow fast could for example be mirrored in the MC package element measurement. The employees would then be measured according to how fast their field of responsibility grows. This already provides incentives for the employees to act according to the company’s goals. However, incentives in form of compensational activities could additionally enhance the desired effect.

It is further expected that the company’s magnitude requires the package to change according to the new process requirements. Once the MC package has been implemented or adapted it is also assumed to reciprocally have impact on the growth of the company. The ability to support and steer expansion processes is influenced by the way the MC package is designed. For instance it is crucial that the MC package element measurement provides the right numbers and measures the proper things. The management strongly
relies on and acts according to the metered. The numbers’ accuracy thus decides upon the correctness of future managerial decisions. So it is assumed that the functional efficiency of the MC package determines how good the company is operated in growth situations.

Also certain package elements are expected to influence each other and cause the adaption of the other.
3 Case Study
For the empirical study it was important to choose a company that has experienced rapid and sustainable growth. A successful firm allows conclusions to be drawn for the efficient interaction of strategy, growth and the MC package.

3.1 About the company

Business idea and development
Due to data protection the company is called Sales Company (SC) in the following. SC’s initial business idea was to offer sales services that are able to generate an increased sales outcome for their customers. The aim was to increase customer’s sales turnover and yield additional orders and market shares. By doing that, untouched sales potentials of especially B- and C-customers\(^2\) in the B2B area were supposed to be tapped.

SC grew rapidly and ca. 150 new jobs were created within the first 5 years of its existence until 2008. In the year 2010 the company was rewarded with a founder price for the best newcomer company. This already shows how fast SC managed to grow though the economic crisis took their toll with customer shortfall. Despite the negatively influencing factors, the expansion kept increasing constantly until today. Nine years after the foundation ca. 250 employees work in the indoor and outdoor service of SC.

Managerial background
Especially the success of a small company can be determined by the knowledge and experience of its CEOs. Two of the three initial founders still manage the company and are subsequently briefly presented. The managing director in sales and marketing is a graduate in business management. He gained 15 years of experience in the automotive industry, IT and communication industry, of which 11 were with managerial responsibility. The second managing director is responsible for strategy and operative processes. He is a graduate in production technology and industrial engineering. His previous work-experience gave him in-depth knowledge regarding production, marketing, technical support and sales. He had managerial responsibility for 12 years before starting the company. Both entrepreneurs had about 15 years of work experience and an extensive amount of previous managerial experience.

\(^2\) A-customers have extensive business volumes and high employee numbers. B and C customers possess gradually less. The value of B-and C-customers lays in their development potential. (The firm’s Start-up Business Plan)
3.2 Reasons for the case study approach
The connection between growth strategy and MC packages is of rather complex nature. Merely using a theoretical approach would not reflect the reality and could thus not capture the complexity of this topic to a full extent. Utilizing a holistic view upon the topic, while creating scientific findings with an empirical base, was hence crucial for the meaningfulness of this study (Kumar, 2011). Approaching the topic with a case study provides the opportunity to give a good description of the whole control package. This is the case since, according to Yin (2003), case studies are able to explain the interrelation of variables in a descriptive manner. The approach furthermore has the potential to describe how the MC package evolved within a period of time, during rapid growth (Johnny, 2003). Yin (1989) especially underlines the strength of the case study method when the researcher works on phenomena which can only be partly controlled while asking questions like ‘how?’ and ‘why?’: The aim of this research is to validate the present understanding of the studied topic. Furthermore the existent knowledge is ought to be extended. This is procurable with case studies since they deliver substance for universalizing the obtained findings. The conclusions, provided by this study, are theories which should be observed in further research from different viewpoints and under varying conditions (Yin, 2003). At this juncture henceforth investigation should maintain the framework requirement of a holistic MC package approach.

3.3 Research methodology
The kind of examination was a single-site, qualitative case-study (Scapens, 1990, Johnson and Christensen, 2012). Empirical data was attained by three direct, personal, semi-structured interviews with the firm’s management as well as through documents from the company’s archive. The accuracy of the so achieved information was validated by personal observations (Appendix 4).

At the beginning of the longitudinal, retrospective research, one interview with one CEO was conducted in order to achieve an overview of the firm’s situation (Johnny, 2003). An interview schedule with basic questions was the foundation for the initial interview. The aim was to detect which MC package elements were introduced during the company’s existence. The question was also which conditions determined the launch of the MC package elements and what was targeted to be accomplished. Another aspect of the interviews was to find out which MC package elements influenced each other, or
determined the introduction of another element. All these factors were combined with the company size at a specific time. The newly designed MC elements were then linked to the company size at a specific time.

Subsequently the management opened access to the firm’s archive, which supplied documents for the whole period of the firm’s existence. The extensive listing of files was reviewed and delimited to MC package–related reports. These were then extracted and chronologically related to each other. The result was a detailed longitudinal, retrospective overview of all introduced MC package elements and control-tools in course of time. It was further documented whether or whether not the initiated elements or tools were launched and operated successfully or if they were retreated after a certain time. These documents complemented the initial interview-information.

With this deep knowledge about the implemented instruments, two further interviews with the CEOs were conducted with more detailed questions about the detected information, their connection and their effects. The archive yielded more MC package elements than the first interview session had revealed and their interrelation with other elements then had to be checked during the second and third interview. The two interviews were subdivided into two time phases. The first detailed interview contained the first five years of the firm’s existence. The second interview obtained an abatement of the remaining years.

3.4 Restrictions
Since this study was conducted on a single-site, its findings are limited. Upcoming research could use multiple-site studies in order to get an enhanced picture with cross-site matching. Also the research methodology comes along with challenges because the interviews with the company’s directors may lead to embellished information and thus distort reality. This was however aimed to be eliminated by aligning the interview information with the archive’s documents and personal observations. Referring to Davila and Foster’s (2007) research the MCS adoption pattern is strongly related to the fact whether or whether not the companies are Venture Capital-backed. This is not taken into account here. According to Schachner, Speckbacher and Wentges (2006) there must be a distinction between enterprises that are owner-managed and those that are not when it comes to a connection between managerial control and growth. The observed company is manager-owned. This article does however not focus on the ownerships of the managers.
4 Result
The result of the explorative study is shown chronologically. This comes along with the ability to see whether a specific MC package element was influenced by the existence or adoption of others. Furthermore the chronological approach provides the ability to determine how modifications and rearrangements were influenced by company growth. Accordingly the growth strategy and MC package are analysed with a focus on when elements were introduced. The reasons for the introduction at this specific time are highlighted and a connection to the company size is demonstrated. Furthermore the company’s growth periods are divided in three phases; I: Start up, II: Oak growing, III: 15\textsuperscript{th} Plan. The reason for the division into phases is that the management followed a specific plan during every phase. The names for the phases were introduced by the management and also communicated as such to the employees.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig1.png}
\caption{Company growth}
\end{figure}

\textit{Source: Company’s archive}

**I: Start up (2003-2007)**
The start up phase lasted from the foundation of the company in 2003 until the year 2007, from 2 up to 105 employees (Figure 1). There, however, was a transitional period between the first and second growth period, since the obsolete start up plan had been detached by the second growth plan.
Before the company was launched in 2003, a business plan was conducted by the management. The three entrepreneurs participated in a start-up competition with their initial planning in order to test their business idea. After this check the business was started according to plan.

The big initial challenge was to attain orders from customers. Once the orders came, employees had to be hired and an office had to be provided. Growth was deeply rooted in the company’s philosophy, as it can be seen in the business plan. The initial aim was to have 222 employees after only 5 years of existence. This can be explained with the fact that the sales business is very dependent on human resources. Overhead-, machine- and inventory-costs only build a small amount of the total expenditures. Employees, on the other hand, form very capital-intensive cost-unit and thus strongly reduce revenues. Being aware of that fact, the management tried to push growth from the start of the company on with the aim to reach higher revenues due to size.

In the beginning it was important to decide upon socio-ideological control concepts like dress codes. Professional appearance was and is important for the entrepreneurs, especially when customers are present. This means that a formal way of dressing with e.g. suits was combined with a casual Friday on which casual clothes can be worn by employees if there is no customer present. Another cultural aspect concerns the way persons address each other. In the German language there is a formal and an informal “you”, just as it is in the French language, or how it was common until the late 1960ies in Sweden. Most members of the company address each other informally. Only the highest management is approached in a formal way. This creates, amongst other things\(^3\), a comfortable work environment based on trust. In order to tighten and direct the cultural shape, a big cultural event together with all employees was held after 3 years of company existence in the year 2005. The CEOs, having worked in big companies before, felt the need for this cultural coining event due to the advanced business size.

The salary was an issue in the beginning. Because the CEOs had direct contact with the few ISAMs\(^4\) in the first four years of the existence, a fixed salary model was introduced (Appendix 2 - A). The people could be steered directly and there was thus no need for

\(^3\) Other things are e.g.: flexible working hours, company events as ski tours, dinners, the ability to take dogs into the office, the permission for employees to install their own wending machine (job enhancement), english courses, over-average payment.

\(^4\) A common denomination of employees in the indoor Sales Business is "Inside Sales Account Manager" (ISAM).
monetary incentives. The direct CEO-impact was also reflected by the organizational chart, which was very basic due to the company size (figure 2).

**Figure 2: Organisational Chart 2003-2006**

As Appendix 1 shows, there are only few activities that touch the company’s MC package from 2003 until 2005. This can be ascribed to the fact that there was no need for a deeply structured control system because the company size was directly manageable, as the CEO stated. The interview further revealed that standardised control-tools were hardly implemented or utilized in the first years because they would have rather been obstructive than helpful because the firm’s flexibility could have been lost. The MC package thus mirrored the company magnitude but growth was rather pushed by direct management than through a formal control system.

**II: Oak growing (2006-2009)**

The second growth period, initiated in 2006, was accompanied by the motto “growing from a fragile plantlet (2003) to the young tree (2006) to the strong oak (2009)”. By 2006 the company was not directly manageable anymore, due to its size. Accordingly the MC package inherited supportive controlling functions as shown in the following:

For instance a novelty was introduced in 2006. The first detailed annual business forecast formed the foundation for actions that were to come during the following year, such as the change in the company’s hierarchal structure. Figure 3 shows the new organisational chart from 2006 on. Sales Managers from then on assisted the CEOs with their tasks, taking over operational functions; now forming a tie between CEOs and employees. Each Sales Manager received the managerial authority over 10-20 ISAMs.
Together with the introduction of Sales Managers new compensation models were created that were able to control and guide their activities. According to a statement in an interview with the CEO, the Sales Managers’ work-quality was from then on mainly measured according to their division’s contribution margin. This is a quite simple measurement and one could say that success is dependent on more variables. The CEO’s however still had a good overview over the single business units. According to an interview statement by a CEO, the contribution margin was not the only thing the Sales Managers were measured by, but the only number that was provided to steer them at that time. Most other managerial work quality-evaluation was still done by their direct observations, just as it was in the first growth period. Hard numbers as well as informal, personal impressions lead to an overall evaluation and control of the Sales Managers.

The year 2007 was started with the first Management Kick-off meeting. This meeting was similar to the annual forecast 2006. Only that now the planning was done together with all managers. This had the benefit of more membership and informing throughout the executives. From now on Sales Managers also had a more detailed view on their cost units with a measurement tool that was provided by the management. This was especially important because they were evaluated according to their contribution margin since 2006. In order to steer their division properly, numbers had to be provided. Furthermore Sales Managers were confronted with a fixed salary bandwidth in order to keep the salary costs of their inferiors within a certain level. The biggest expenditure, salaries, was thus supposed to be reduced. The provided view on the cost units was even deeper in the following years with the introduction of Balanced Scorecards (BSC) in 2008. Two different
kinds of BSCs have to be distinguished. One was an in-depth version with more detail which was provided for the Sales Managers in order to steer their department. It had the purpose to make expenditures visible and show potentials to increase sales. The CEOs’ everlasting attempt to reduce costs and simultaneously increase sales revenues was hereby aspired. The other BSC was used by the CEOs to steer the organisation and sowed an overview of organisational activities. The former, however, was neglected by the Sales Managers after a while and did thus not play a big role. The overview BSCs on the other hand did advance to an important tool for the CEOs because it shows all important information at once. In order to get there, the BSC was adapted in the years 2009 and 2010. The BSC kept its initial structure and is divided into the four categories finance, customer/market, processes and employees. Each category inherited 3 graphics in 2008. According to the changing requirements the categories finance and employees were expanded in 2009 and then showed each 6 graphics. This already shows that the focus of the CEOs lies on the development of the employees and the financial outcome. In 2010 two finance elements were changed and now showed the contribution margin, by which the Sales Managers are evaluated. The CEOs thus had the ability to intervene if certain costs in Business Units got out of hand. This did not have an effect on compensation models for the Sales Managers. They were paid according to their unit’s sales numbers. From 2008 on the CEOs stressed more marketing activities to get more orders. Small customer orders, however, were not accepted anymore because the past had shown that projects involving three or less employees bottom out eventually. Long term business relations are only possible with bigger orders.

Due to the company magnitude a new compensation model for employees was introduced in 2007. The fixed salary was changed to an annual target-salary. By this action the CEOs were hoping to create incentives for the employees. The company size had lead to the fact that employee motivation was not only given anymore by the direct involvement of the CEOs, simply because these did not have enough time for every single staff member. The new model, shown in appendix 2 –B, meant that 80% of the salary was fixed. This 80% plus additional 10% advance payment were paid-off out to the employees. In case of target achievement an additional 10% was paid-off and thus added up to a total of 100% salary. If, however, the employee did not reach his/her goal, 10% advance payment had to be paid back to the company and the employee received a total of 80% of the salary. Two years
later, in 2009, this model was abolished because it led to resentment within the staff due to the fact that money had to be paid back. It was replaced by the model shown in Appendix 2 – C. The fixed payment of 90% and the 10% bonus added up to 100% payment. The award salary gave an additional incentive for good performance because it has accelerators that can significantly increase the salary.

“Growing to a strong oak” required structural changes. In the administrative part of the MC package, lay the biggest efforts done by the CEOs during this growth period. After the change in organizational structure with the introduction of Sales Managers, another structural change was pushed in 2007. The company was divided into the entities Sales, People, Venture and Sales Academy, placing the company’s main competences on four pillars. Also communication standards were introduced with the aim to reduce costs. Those standards were e.g. investment requests, price lists and travel cost regulations. In 2008 the CEOs also felt the need to create a learning organisation with the aid of the employees. Especially skilled staff was extracted from the traditional functional structure and placed in cross-functional matrix-units. Four Competence Centres were formed with the purpose to improve 1) development of academics, 2) sales excellence, 3) tools, 4) communication and motivation. The new structure for the staff went along with a change in the HR, IT and administration departments. They were reorganized with a focus on efficiency in 2007. With the same reason a communication cascade was launched. It visualizes who has to talk to whom about which topic at what time.

These structural and administrative changes were accompanied by culture forming activities. One of them was the second cultural event with all employees in 2007. The result of the event was that the staff had come up with fundamental values named 5G, which are built on the five main pillars 1) Respect for every single person; 2) Integrity; 3) Teamwork, 4) Engagement for the client, 5) Innovation. These values describe how the company “would like to make [their] vision come true. They form the framework of [their] actions, are management instruments and, at the same time, form the basis of our corporate culture.” (company homepage, 2009). These values were supported by specific training of the staff. Training, commonly considered to be part of the administrative MC package element, can also have a cultural impact. This was the case here since the company’s newly established internal training department was strongly culture forming. Furthermore the year 2007 meant the launch of new career paths, which were necessary to attain a well trained and to
the company-values adapted employees (Attachment 3). There are the two career paths “Sales excellence” and “Management”. As an ordinary employee you will attend the sales excellence training at least until the solidification level. The attendance from then on is voluntarily. As an upcoming manager you pass both paths. That way the managers have the same knowledge as the employees plus additional Management training. Interesting to see is that the steps of the sales excellence program are visualized in every-day work life. Company t-shirts have stars that represent the training-level. The stars are also being shown on the name plates in front of the offices. As it can be seen in Appendix 3, there were different implementation steps, beginning with the Leadership Academy in 2007 and ending with the Management Academy- and Sales excellence-Career in 2009. The management implemented the training-programs gradually in order to acclimatise the staff to the new conditions.

III: 15\(^3\) Plan
The growth program 15\(^3\) had its starting point in 2009 and was designed for the time span from 2009 to 2015. Before the MC package elements are being explained, name- clarification is needed. The 15\(^3\) plan means that the company wants to grow 15% every year at 15% EBIT\(^5\) until the year 2015. This would lead to 500 employees at the end of the plan. Achieving this is supposed to happen by winning the “battle” in the short-run in order to attain the vision in the long-run.

The planning element experienced some change in this third growth cycle. Firstly the CEOs introduced so called Account Plans in 2010. These had the purpose to help the lower managers to steer their business unit. It was a detailed action-planning tool that was supposed to help the managers to reach their 15% EBIT goals. Also it was supposed to align the managers’ goals with the organisational ones. Additionally the CEOs could control the managerial activities by checking the Account Plans and discussing them in meetings. Yet this planning activity was abolished in course of time, since it was rarely used in practice. Today some managers still use this tool but the vast majority does not use it anymore. The CEOs however plan to reinstall these account plans in future as an obligatory instrument for all managers. The reason for the previous abolishment was simply the lack of time for checking upon the plans. Another change in the MC package’s planning element happened in 2011. It meant a big change in the annual business forecast. The planning for the

\(^5\) EBIT = Earnings Before Interest and Taxes
upcoming year became much looser. Until 2011 every cost unit was calculated and possible risk and growth factors were added to the computation in order to attain supposedly exact numbers. As is turned out the reality was never really close to what was forecasted. Thus the CEOs avoided complicated and time consuming calculations and simply replaced them by guessing. This sounds slightly vague but growth cannot be entirely planned, as a CEO states. There can be efforts towards the achievement of growth the magnitude of the actual growth is uncertain.

Also the MC package element *measurement* was adapted within this last growth cycle. This especially affected the ordinary employees. Monthly target agreements were introduced in 2009. Conjointly with their superiors the employees set sales targets for each month and year. The achievement of the set goals is then being discussed in annual appraisal talks. Also the management will be confronted with budgets in 2013. The budgets have the main purpose to keep employee salaries within a certain target bandwidth.

Also in 2009 the organisational chart was reorganised in order to attain more *administrative* structure and to unburden the CEOs in their coordinative function. As it can be seen in figure 4 so called Business-Unit managers were introduced. These were from then on the intermediate between CEO and lower management. The function of Business-Unit managers, however, did not lead to the desired effects. The CEOs still felt the need to intervene in operative activities of the daily sales business, thus superseeding the Business-Unit managers’ purpose. This lead to the abolishment of this new function only one year later. It has to be clarified that this was still possible due to the still relatively small company size. In 2012, after expanding the business to two sites in different cities, Business-Unit Managers were partly re-introduced.

Figure 4: Organisational Chart 2009-2010
More administrative changes occurred in 2009 with the launch of a compulsory guideline for project-implementation. Before the start of a new Business-Unit, there is always a similar start-up phase. This phase was hereby designed as a project with milestones etc in order to receive more structure. This was important since the aimed company growth meant persistent launch of Business Units. The enhanced company size also influenced the recruiting activities in 2010. Structure is always important when there are repetitive activities, as a CEO stated. Since the company aimed and still aims to grow, there is need for qualitatively good employees. Thus the recruiting process was structured. The same counts for all sales-activities. The sales-process is a reiterative activity and was thus strongly structured in 2010. The introduction of the intranet, in 2009, lead to many administrative changes. Firstly it provided centralised access to documents and guidelines according to defined viewing-rights. It also opened new functional communication paths by showing in-house news or new guidelines. This is had become crucial since a unified communication- and information-platform was needed due to the company size.

The intranet also had effects on the firm’s socio-ideological character. Every employee can for example introduce him/herself on the notice board or simply publish private notices as e.g. “Car for sale”. This contributed to the familial culture. Also strongly culture forming was the Vision & Mission statement which was introduced in 2009, just as the intranet. This statement is built upon the 5G’s company principals that were introduced in 2007. It is tightly connected to the 15¹ Plan and aims to put the numerical goals into words. Coachings for the managers were conducted in 2010. Their target was to provide an appreciating communication culture by teaching “violent-free” language. Furthermore the company was supposed to become a limbic brand. That meant that the company’s culture appeals to
their customers by approaching the right limbic receptors. This rather psychological technique was never really lived and thus only played a small role. In 2012 a lot of emphasis was put on socio-ideological controls. Mental trainings accompanied the employees from them on. Long-term coachings like “learning from top athletes” or English courses established an employee-supporting culture. Also the HR-development for managers played a big role. It had the purpose to reduce the status of employee illness by permanently teaching the managers how to lead.
**Summary of the findings**

Hardly any formalized MC package elements were introduced in the beginning of the company’s existence, as figure 5 shows. Extensive MC was simply not needed because the company size was still moderate. With the beginning of the second growth period, in 2006, several components were launched throughout the different MC package elements. The increased enterprise size made this essential. In the third growth phase from 2010 on, gradually fewer elements were introduced or adapted. The reason was that structures had already been created and there was no necessity for changing elements.

Figure 5: MC package element introduction: evolvement throughout three growth periods

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**Source:** Company’s archive and interviews with CEO

**Planning** was conducted accurately and only done by the CEOs in the beginning of the firm’s existence. In 2007 the whole executive management was involved in planning activities in order to have a common understanding of the perceived future. Since the accurately calculated forecasts were not correct due to the unpredictable future, the CEOs decided to plan less precisely from 2011 on.

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6 Figure 5 displays appendix 1, without naming the introduced or adapted MC package elements.
Measuring business outcomes precisely became especially important with enhanced business size, in order to gain an overview of the situation and guide employee behaviour. The measurement was quite broad, including the dimensions *processes, employees, finance* and *customer*. Its emphasis, however, was clearly on finances and employees. This did not only concern the BSCs. Also the evaluation due to contribution margins and the in 2013 upcoming introduction of budgets focuses on finances and people.

*Compensation* models are strongly connected to the company size. More incentives for employees were created with less direct CEO impact. The purpose was to indirectly guide and steer the employees through their salary. The employees’ and company’s goals were thus supposed to be aligned.

After not being touched for the first 3 years the *administrative* element gradually gained more and more emphasis. In the second and the beginning of the third growth period lay most CEO emphasis here. Building up structures was crucial for a well-regulated business. After a structural groundwork was formed this element was hardly touched anymore.

*Socio-ideological*, culture forming activities were always important for the CEOs. Figure 5 shows that culture coining components were again and again brought into focus. This seems natural since the Human Resources are fundamental for the sales business and well trained employees lead to more revenue.

It could also be seen that there is an interrelation between the MC package elements. Socio-ideological changes were mostly aspired because of a transformation in planning. When the company had started a new growth plan it was supported by culture coining activities. The employees should thus work towards a common goal. Furthermore administrative, structural changes influenced cultural conditions. Though, the connection here was different than the one between the socio-ideological and planning elements. The change of the administrative element rather influenced the socio-ideological perception of things. The culture was thus touched but not used to fulfil a plan. It could also be monitored that the way employees are measured coins compensational models. When the measurement and thus the goals of employees changed, compensational activities supported the new focus.
5 Analysis

During the research three interest cycles could be ascertained, whereof each has specific characteristics and peculiarities concerning the importance of the MC package elements. Figure 6 shows the cycles (1) informal, direct leadership, (2) planning domination, and (3) structure utilization. Just as in figure 5, this figure points out when and how many MC package elements were introduced and adapted. The alteration of figure 6 is that the three (by the CEOs declared) growth periods from figure 5 are replaced by the interest cycles. It is noteworthy that the growth periods (figure 5) and the interest cycles (figure 6) are almost congruent concerning their duration and launching. This means that the CEO’s interest in MC package shifted simultaneously to their new growth plans. Figure 6 visualises this interest in MC package elements with the assessed importance of the elements at a specific point of time. This new illustration is important for the understanding since changing and introducing of elements does not automatically mirror their importance. Merely the number of MC element-adoptions is not significant when it comes to the importance of the element in connection to company growth.

Figure 6: interest cycles – the MC package elements’ importance for company growth

Source: Company’s archive and interviews with CEO
**Interest cycle 1: Informal, direct leadership**
The introduction of MCS elements is positively related to company size and younger firms tend to use less systematic controls (Davilla and Foster, 2007; Sandino, 2007). This phenomenon could be confirmed in the observed firm. Indeed in the first 3 years of the existence only few systematic MC package elements were launched and the controls were of informal non-systematic manner. Throughout all five elements hardly any activity regarding the introduction of formal control-instruments could be noticed. By using a holistic, package observation of MCs it could be observed that the management relied on direct managerial actions in order to control behaviours in the first three years. This can also be seen in figure 6, which shows the outstanding role of this interest cycle concerning its one-sided importance of the socio-ideological MC package element. With a look on the growth-numbers of the company, it can be said that the CEOs managed to increase the company size twentyfold within the first interest cycle by direct entrepreneurial interactions. The growth was pushed by informal, direct leadership and happened without the existence of a formalized Management Control System. Due to the relatively small company size the CEOs were able to monitor and steer behaviour directly. An introduction of formalized controls at this early point of time would have most likely had either non- or a negative effect on the firm’s growth. Forcing formalized controls upon a small company can affect one of their main advantages compared to big firms: flexibility. It seems like it is advantageous for companies to utilize informal, direct leadership until a certain size is reached.

**Interest cycle 2: Planning domination**
This size is reached when the management cannot handle the information overload and the delegation activities anymore by direct leadership. This is the case because a linear increase in employee number leads to an exponential increase in direct control actions. The point when formal MC elements have to be introduced thus comes relatively early and abruptly, as figure 6 shows. From 2006 on, increased effort towards implementing and adapting all MC package elements is clearly noticeable. Also a prompt shift in importance is demonstrated in figure 6. The increased company size created the need for formalized controls. Accordingly the assessed importance of the MC package elements planning, measurement, compensation and administrative increased. Coevally the socio-ideological package element lost importance concerning its impact on company growth, since direct
and informal managerial activities were replaced by formalized tools. The formal tools henceforth built the foundation for managerial decisions and activities.

Especially the planning element played a big role during this cycle. It was conducted in detail and all other elements were influenced by the planning. Changes in the other elements were done according to plan. The annual planning showed a rough roadmap of what was ought to happen during the year. Detailed plans then completed the execution orders. For example socio-ideological changes were mostly aspired because of a transformation in planning. When the company had started a new growth plan it was supported by culture coining activities, in order to align the employees’ goals towards plan fulfilment.

**Interest cycle 3: Structure utilisation**

Where the prior interest cycles inherited the extension of the MC package, this third cycle experienced a stagnation of MC package expansion. The activities towards changing the package were diminished. This happened due to the fact that a structured control system had already been in place and that there was thus no need for further changes. The established structures provided the desired numbers and lead to the demanded controls. Yet the socio-ideological element received more attention, which is also mirrored in its assessed importance. Once ground structures were built, the CEOs felt the need for more emphasis on culture forming activities. Also the measurement did receive more attention. An increase in employee number and thus complexity seems to lead to enhanced measuring activities. This thought is also supported by planned introduction of budgets in 2013. Merely the importance of the planning element gradually decreased from 2011 on. The detailed annual roadmap was abolished and replaced by goals that should be accomplished. Thus the aim was clear but the path to get there became vaguer. This can be explained with the fact that the increased size of the company made it impossible to plan everything accurately. The other elements’ dependency on planning weakened due to this development. From the third interest cycle on, the strong direct connection between the planning element and the other four elements became gradually less.
General interrelations of MC package elements

In general, independent from the interest cycles, it could be monitored that administrative, structural changes influenced cultural conditions. Though, the connection here was different than the one between the socio-ideological and planning elements. The change of the administrative element rather influenced the socio-ideological perception of things. The culture was thus influenced but it was not used to fulfil a plan.

It furthermore could be seen that the way employees were measured impacted compensational models. When the measurement and thus the goals of employees changed, compensational activities supported the new focus. This connection is very strong and could be seen throughout all three growth cycles. In the beginning the measurement was, however, not fixed to hard numbers but rather impressions of the CEOs. And the compensation happened through a raise in salary, if the performance was in line with a desired outcome. Once formal measurement systems had been installed, compensation models accompanied the measured numbers. It can also be said that the CEOs’ dependence on accurate measurement increased with bigger company size, since the ability to have insight in every process decreased.
6 Conclusion
This paper empirically explores how SME growth and MCs are dynamically interrelated. It provides deeper understanding about how and why MCs change and evolve in a company with growth strategy. In order to fully grasp the nature of the matter it is crucial to choose a broad definition of MCs. The utilised MC package-view by Bedford and Malmi (2010) enables an interrelated and holistic sight upon the package elements. A connection between the different elements is thus observable.

On the basis of the empirical findings provided by the case study of a German SME, it could be seen that company growth impacts the MC package and that the MC package is reciprocally crucial for growth. The start-up phase of the observed enterprise meant a lot of direct managerial involvement. Thus only few formal MC package elements were introduced within the first years. A formal control package was not needed, since direct entrepreneurial activities took effect on company growth. Moreover it is assumed that formalized MCs can have a negative effect on growth, if they are introduced too early. This is due to their flexibility-reducing nature. However, future research will have to confirm this assumption.

In the observed company more MC package elements were being launched or modified with enhanced company size. This happened quite abruptly. Direct and informal leadership was converted into indirect management through the MC package. This, however, did not mean that the need for control increased. The way of controlling merely became more formalized while attaining the same control intensity. At the same time this formal control was crucial for the CEOs once the company had reached a specific size. Without such a formalized MC package the company size would not have been manageable because of the firms’ complexity. It can thus be said that the initial start-up phase of a company comes along with the need for an informal MC package. With enhanced company size, however, formalized managerial control becomes indispensable. Generally it can be said that growth leads to the introduction of MC package elements. High perceived complexity then results in the necessity for the introduction of MC package elements and further growth becomes more likely with a well implemented formalized MC package. Also the gained evidence strongly supports the perception that proper MC package implementation is pivotal for SME growth once a certain size is reached. Before that magnitude is reached informal, direct management has an advantage compared to formal control.
This shift from informal and direct managing to formal management can be reckoned in the shift of importance of the MC package elements. The first significant shift in importance occurred from the socio-ideological element to the other four formal elements. This shift especially lead to enhanced importance of the planning element. Once MC package ground structures were implemented and the firm had reached a certain size a second shift occurred. Amongst other things it diminished the importance of the planning element.

Generally and independent from the enterprise size, interrelations of certain MC package elements became observable. It could be seen that the socio-ideological element was used to fulfil plans, meaning that cultural changes were pushed to support plan-fulfilment. Furthermore administrative variations entailed cultural changes. Accordingly the socio-ideological element evolved due to administrative modifications. It could further be reckoned that the way employees were measured, influenced compensational models. When the measurement and thus the goals of employees had changed, compensational activities supported the new focus.

The significance of certain people should not be underestimated when it comes to MC package implementation. It became clear that the CEOs’ previous experience with MCs lead to a fast introduction of a structured control system. Equally important was thereby to persist on carrying out the elements over time. Only when the CEOs controlled the maintenance of the MC package elements, they could “survive” for several years. In contrast MC package elements were abolished if their enforcement was not pushed.
### Appendix

#### Appendix I: MCs element evolution and introduction over time

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<td>2014</td>
<td>Management activity: start-up, planning, organizing (2004-2006) <strong>2</strong></td>
<td>Self-efficacy and self-regulation <strong>3</strong></td>
<td>Leadership Academy Program <strong>2</strong></td>
<td>Start-up Period</td>
<td>Initial mission, vision, and values <strong>1</strong></td>
</tr>
<tr>
<td>2015</td>
<td>Management activity: start-up, planning, organizing (2004-2006) <strong>2</strong></td>
<td>Self-efficacy and self-regulation <strong>3</strong></td>
<td>Leadership Academy Program <strong>2</strong></td>
<td>Start-up Period</td>
<td>Initial mission, vision, and values <strong>1</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- **1:** Initial mission, vision, and values.
- **2:** Leadership Academy Program.
- **3:** Self-efficacy and self-regulation.

### Diagram

**I: Start up**
- Transition period
- 2003-2005

**II: Oak growing**
- 2006-2009

**III: 15 Plan**
- 2010-2015

**Key Points:**
- Planning: Strategic planning, organizational structure, and management.
- Measurement: Performance metrics, data collection, and analysis.
- Compensation: Salary levels, benefits, and incentives.
- Administrative: Leadership development, organizational culture, and policies.
- Socio-cultural: Employee engagement, communication, and development.
Appendix 2: Employee payment; evolution over time

A

fixed payment 100%

2003-2007

B

advance payment 10%

fixed payment 80%

2007-2009

C

Award x%

Bonus 10%

fixed payment 90%

2009-2012

Appendix 3: Career paths

Sales excellence Career

- Entry-level
- Foundation-level
- Solidification level
- Bronze-level
- Silver-level
- Gold-level
- Professional-level

Management Career

- Trainee Program
- Leadership Academy Program
- Management Academy Program

Legend:
- Employee path
- Management path
### Appendix 4: Research methodology – overview

<table>
<thead>
<tr>
<th>Information gained by</th>
<th>Information provided by</th>
<th>when</th>
<th>gained information</th>
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<td>basic interview</td>
<td>CEO-1*</td>
<td>in the beginning of research</td>
<td>overview of introduced MCS-elements throughout the company’s existence</td>
</tr>
<tr>
<td>examination</td>
<td>company’s archive</td>
<td>directly after basic interview</td>
<td>detailed listing of all introduced MCS-elements</td>
</tr>
<tr>
<td>detailed interview 1</td>
<td>CEO-1</td>
<td>after archive examination</td>
<td>reasons for MCS-element introduction at a specific time, connection to other elements (reviewed time period: first 5 years of firm’s existence)</td>
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<tr>
<td>detailed interview 2</td>
<td>CEO-1</td>
<td>after detailed interview 1</td>
<td>reasons for MCS-element introduction at a specific time, connection to other elements (reviewed time period: remaining years of existence)</td>
</tr>
</tbody>
</table>

*CEO-1 refers to one of the three CEOs that lead the company today*
References


Company homepage, 2009. (censored)