Strategic Renewal and Management Control Systems
- The Implementation Process of Strategic Renewal Through MCS

Paper within: Business Administration
Authors: Nyberg, Linda 901117
         Sjödin, Viktoria 890825
         Wiberg, Linnea 920908
Tutor: Nazir, Imran
Jönköping: May 2015
Acknowledgements

We would like to take the opportunity to express our gratitude to the people that have contributed to the making of our bachelor thesis.

First and foremost, we would like to thank the CEO and the managers of all levels of the case company, Swedol. Without their cooperation, utmost helpfulness and the time that was given for the conduction of the interviews, this research would not have been possible. The obtained information has been vital, enabling us to obtain great insight and understanding of the process of strategic renewal through management control systems.

Furthermore, we would like to acknowledge the invaluable support given to us by our tutor, Imran Nazir. The process of writing this thesis has been influenced by his guidance and would not have been possible without his knowledge and valuable feedback.

Linda Nyberg
Viktoria Sjödin
Linnea Wiberg
Bachelor Thesis 15 ECTS

Title: Strategic Renewal and Management Control Systems

Subtitle: The Implementation Process of Strategic Renewal Through MCS

Authors: Linda Nyberg, Viktoria Sjödin & Linnea Wiberg

Tutor: Imran Nazir

Date: 2015-05-11

Key words: Strategic renewal, management control systems, top managers, middle managers, operational managers, diagnostic control systems, interactive control systems, innovation

Abstract

Background: Strategic renewal is a phenomenon where companies decide to do strategic alterations with the aim to improve their stasis in the current market (Kiesler & Sproull, 1982). This can be accomplished in several ways; in this report the focus is on management control systems and how they are incorporated in the strategic implementation process in order to drive and generate renewal. Management control systems are considered to be an important aspect of the strategy process (Simons, 1994).

Purpose: The purpose of this thesis is to analyze to what extent and in what form interactive and diagnostic management control systems are employed in large organizations in order to drive strategic renewal.

Methodology: This is a qualitative research with an abductive approach that is based on a single case study. Through interviews we answer how management control systems are used in the implementation process of strategic renewal on different levels of an organization; we have made ten interviews with top-, middle- and operational management.

Conclusion: Our main finding is that the process of implementing a successful strategic renewal through the adoption of MCS is not a linear one. The process is continuous and conducted in a circular manner; this also implies the interrelation of the variables.
Table of Contents

1 Introduction .................................................................................................................. 1
  1.1 Problem .................................................................................................................. 2
  1.2 Purpose ................................................................................................................... 3
  1.3 Research Questions ............................................................................................... 3
  1.4 Definitions ............................................................................................................... 3
  1.4.1 Strategy .............................................................................................................. 3
  1.4.2 Renewal ............................................................................................................. 3
  1.4.3 Strategic Renewal ............................................................................................. 3
  1.4.4 Control ............................................................................................................... 3
  1.4.5 Systems ............................................................................................................. 4
  1.4.6 Management Control Systems .......................................................................... 4
  1.4.7 Innovation ......................................................................................................... 4
  1.5 Delimitations .......................................................................................................... 4
  1.6 Disposition .............................................................................................................. 4

2 Frame of Reference ...................................................................................................... 5
  2.1 Strategy .................................................................................................................. 5
  2.1.1 Formation and Implementation of Strategy ...................................................... 5
  2.1.2 Strategic Renewal ............................................................................................. 7
  2.2 Organizational Structure and Managerial Roles .................................................... 8
  2.2.1 Top Management ............................................................................................. 9
  2.2.2 Middle Management ....................................................................................... 9
  2.2.3 Operational Management ............................................................................... 10
  2.3 Management Control Systems ............................................................................. 10
  2.3.1 Types of MCS .................................................................................................. 12
  2.3.1.1 Diagnostic Control Systems ...................................................................... 13
  2.3.1.2 Interactive Control Systems ...................................................................... 13
  2.3.2 Differentiation Between the Key Constructs .................................................... 15
  2.3.3 Balanced Scorecard: An Alternative Analysis of the Key Constructs .............. 16
  2.5 Innovation in Terms of Renewal and Control ....................................................... 17

3 Methodology................................................................................................................ 18
  3.1 Research Approach ............................................................................................... 18
  3.2 Research Strategy ................................................................................................. 19
  3.3 Qualitative Method .............................................................................................. 20
  3.4 Data Collection ..................................................................................................... 21
  3.5 Interviews .............................................................................................................. 21
  3.6 Case Selection ....................................................................................................... 22
  3.7 Selection of Respondents .................................................................................... 22
  3.8 Data Analysis ....................................................................................................... 24
  3.9 Trustworthiness .................................................................................................... 25

4 Empirical Findings ....................................................................................................... 27
  4.1 Case Description .................................................................................................... 27
  4.1.1 Presentation of Case Company ........................................................................ 27
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.2 Business Growth Together With Insufficient Internal Development</td>
<td>28</td>
</tr>
<tr>
<td>4.1.3 From a Scattered- to a Unified Organization</td>
<td>28</td>
</tr>
<tr>
<td>4.2 Organizational Structure and the Managerial Roles</td>
<td>30</td>
</tr>
<tr>
<td>4.2.1 Top Management</td>
<td>31</td>
</tr>
<tr>
<td>4.2.2 Middle Management</td>
<td>31</td>
</tr>
<tr>
<td>4.2.3 Operational Management</td>
<td>32</td>
</tr>
<tr>
<td>4.3 How Managers Exercise Control Throughout the Organization</td>
<td>34</td>
</tr>
<tr>
<td>4.3.1 Measurement of Performance</td>
<td>34</td>
</tr>
<tr>
<td>4.3.2 Information Flow</td>
<td>36</td>
</tr>
<tr>
<td>4.3.2.1 E-mails</td>
<td>36</td>
</tr>
<tr>
<td>4.3.2.2 Intranet</td>
<td>36</td>
</tr>
<tr>
<td>4.3.2.3 Telephone meetings</td>
<td>37</td>
</tr>
<tr>
<td>4.3.2.4 Face-to-face Meetings</td>
<td>37</td>
</tr>
<tr>
<td>4.3.2.4.1 Project Management Groups</td>
<td>38</td>
</tr>
<tr>
<td>4.3.2.5 Communication of Strategic Direction</td>
<td>38</td>
</tr>
<tr>
<td>4.3.3 Reconciling Strategic Activities</td>
<td>38</td>
</tr>
<tr>
<td>4.4 The Freedom to be Innovative</td>
<td>39</td>
</tr>
<tr>
<td>5 Analysis</td>
<td>40</td>
</tr>
<tr>
<td>5.1 Strategic Renewal</td>
<td>40</td>
</tr>
<tr>
<td>5.1.1 Formulation and Implementation</td>
<td>41</td>
</tr>
<tr>
<td>5.1.2 Intended and Emergent Strategies</td>
<td>42</td>
</tr>
<tr>
<td>5.2 Management Control Systems</td>
<td>42</td>
</tr>
<tr>
<td>5.2.1 Diagnostic Control Systems</td>
<td>43</td>
</tr>
<tr>
<td>5.2.2 Interactive Control Systems</td>
<td>44</td>
</tr>
<tr>
<td>5.2.3 Balanced Scorecard</td>
<td>46</td>
</tr>
<tr>
<td>5.3 Innovation</td>
<td>47</td>
</tr>
<tr>
<td>6 Conclusion</td>
<td>48</td>
</tr>
<tr>
<td>7 Discussion</td>
<td>50</td>
</tr>
<tr>
<td>7.1 Contributions</td>
<td>50</td>
</tr>
<tr>
<td>7.2 Limitations</td>
<td>51</td>
</tr>
<tr>
<td>7.3 Future Research</td>
<td>51</td>
</tr>
<tr>
<td>8 References</td>
<td>52</td>
</tr>
<tr>
<td>9 Appendices</td>
<td>57</td>
</tr>
<tr>
<td>9.1 Appendix 1 – Interviews</td>
<td>57</td>
</tr>
<tr>
<td>9.1.1 Interview Questions for Operational Management</td>
<td>57</td>
</tr>
<tr>
<td>9.1.2 Interview Questions for Middle Management</td>
<td>58</td>
</tr>
<tr>
<td>9.1.3 Interview Questions for Top Management</td>
<td>59</td>
</tr>
<tr>
<td>9.2 Appendix 2 – Emails</td>
<td>60</td>
</tr>
<tr>
<td>9.2.1 Operational Managers</td>
<td>60</td>
</tr>
<tr>
<td>9.2.2 Middle and Top Managers</td>
<td>61</td>
</tr>
</tbody>
</table>
Figures
1.1 Thesis Disposition
2.1 Successful Strategy
2.2 Management Control Systems
2.3 Critical Performance Variables
2.4 Strategic Uncertainties
3.1 Research Approach: Deduction, Induction, Abduction
3.2 Qualitative Data Analysis
4.1 Internal Management and Control
4.2 Company Structure
4.3 Employment Length of Operational Managers
4.4 Revenue and Operating Margin
6.1 Our Overall Proposition

Tables
3.1 Selection of Respondents
4.1 Five-Year Financial Summary
I Introduction

In the introduction chapter, the study will be presented; the background, problem and purpose of the study as well as what you can expect in the later chapters. In the end of the introduction the research questions are formulated, which lay the foundation for the rest of the study.

In this research, we are studying the process of strategic renewal and how it can be implemented. There are several factors that drive companies into strategic renewal, both external and internal (Baden-Fuller & Volberda, 1997). In today’s ever-changing economic environment it is of importance to outline a strategy that is not only focusing in a long-term perspective, but also one that can adapt to the current market (Grant & Jordan, 2012). Nevertheless, there are companies that struggle with market adaptation since they have been operating successfully for a longer time-period, because people and businesses are not entirely comfortable with changes (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007). Environmental changes, new entrants, loss of competitive advantage or rapid growth are some of the factors that might require a company to renew itself in order to survive (Helfat et al., 2007).

Strategic renewal may be implemented differently and can encounter several obstacles during the processes and these restraints may both be of cognitive and non-cognitive character (Brundin & Melin, 2006; Helfat et al., 2007). In this study we are focusing on the non-cognitive attributes of the process of strategic implementation. In order to study these processes we use the concept of management control systems (MCS), which consist of four different control organisms that are used in all companies to different extent (Simons, 1995). It has been discussed how management control systems affect the innovation in a firm (Lövstål, 2008; Simons, 1995), this is relevant to renewal since it is driven by innovation (Poskela & Martinsuo, 2009). We find that innovation is of importance in order to remain competitive and conquer future strategic challenges. Moreover, we would like to examine how management control systems affect the innovative processes, since to gain competitive advantage and act dynamically, innovation and creativity is required (Helfat et al., 2007).

In the first part of this report we are outlining previous research made within the field of study and link strategic renewal to management control systems, and thereafter the field of innovation is studied. Our general perception of previous research is that management control systems have primarily been studied in a horizontal manner; where each layer of managers of an organization is studied separately, which goes in line with the study by Otley (1994). Consequently, we will investigate it in a vertical, top-down approach, where we focus on one unit of an organization and define the different layers within this unit and how they correlate. We believe that the vertical approach will provide an overview on how strategy and control is distributed throughout the levels of an organization.

In the second part, which is empirical, we are presenting our empirical findings that were gathered through interviews on operational, middle and top levels of management in an organization. With the help from a case study, we are allowed to comprehend the field of study in a deeper sense; understand why strategic renewal is necessary and how they use management control sys-
tems to implement strategy. We also outline how the interviewees believe that control systems are affecting the innovation process.

Finally, in the last part we are analyzing our findings with the help from the theoretical framework, in this way we will be able to draw conclusions and answer our research questions in a concise manner followed by a discussion chapter presenting contributions, limitations and suggestions for future research.

### 1.1 Problem

In a world of consistent and rapid change, the process of strategy implementation along with organizational renewal is crucial in order to maintain a competitive position. These changing and occasionally also conflicting circumstances require organizations to implement timely adjustments in order to succeed with their strategies (Barr, Stimpert & Huff, 1992). A failure to respond will in most cases affect long-run viability (Helfat et al., 2007). Yet, the lack of equivalent information and advantages will force many businesses to enter a period of weakening performance and while some will manage to renew themselves, others will not recover (Barr et al., 1992).

In addition, it is also a prerequisite to have well-functioning management control systems, in order to survive in the long run; a major threat to established businesses today is insufficient MCS (Greiner, 1972). MCS are the procedures and routines that are information-based and formal in character which managers use to either maintain or modify the design of organizational activities (Simons, 1995). Furthermore, control systems are also used to generate strategic renewal (Simon, 1994). Hence, a company must incorporate MCS as a part of their operations in order to ensure a high level of goal congruence (Antony & Govindarajan, 2007).

A critical moment in the ever-changing organizational environment is the ability to notice and understand the environmental alterations in order for the organization to implement necessary changes (Kiesler & Sproull, 1982). The phenomenon concerning continuous strategic renewal is of importance due to its affect not only on industries and individual businesses, but also on entire economies (Agarwal & Helfat, 2009).

The successful implementation of the alterations require the usage of methods appropriate to the situation, which will be reviewed in order to provide a deep understanding of the options and their effect on various organizational units. The focus will be on the usage of MCS as the levers of strategic renewal due to the limited attention given to the relationship between the control process and strategy in previous research, even though it is considered to be an important part of the strategy process (Simons, 1994). The model of MCS and its outlined systems have remained the same during the last two decades and might need some modification due to changes in the environment such as society, economy and technology. Moreover, it occurs that most of the previous research within the field tend to focus on the usage of MCS in a horizontal manner, thus in our study we would like to view it vertically.

Therefore, the aim of this thesis is to investigate how managers employ control systems that are interactive and/or diagnostic in nature in order to drive strategic renewal internally and also to examine the relationship between strategic renewal and management control systems within an
organization and how MCS are used today. Furthermore we would like to shed light on how innovation is affected in accordance to the internal alterations implemented; there are conflicting views on how MCS affect innovation (Lövstål, 2008; Simons, 1995). Therefore we believe it is important to investigate it further.

1.2 Purpose
The purpose of this thesis is to analyze to what extent and in what form interactive and diagnostic management control systems are employed in large organizations in order to drive strategic renewal.

1.3 Research Questions

• Why do large organizations implement interactive and diagnostic management control systems in order to drive strategic renewal?

• How do MCS interrelate with each other and with strategy in large companies today?

• What are the consequences in terms of innovation from adopting MCS during periods of internal company renewal?

1.4 Definitions

1.4.1 Strategy
A strategy is the link between a company’s vision and how to achieve set goals. In a business strategy, the company decides how the business should operate in the long run to be able to compete and also to out-line the company’s mission and vision (Grant, 2013).

1.4.2 Renewal
Renewal is explained as refreshment and replacement (Oxford English Dictionary, 2010) and is closely related to “Change”, although it is less incremental and it rather refers to alteration of patterns in behavior.

1.4.3 Strategic Renewal
Agarwal and Helfat (2009) define strategic renewal as the content, process or outcome from when an organization refreshes or replaces certain attributes to substantially affect its long-term prospects.

1.4.4 Control
The characterization of controls has occurred in various ways, but due the nature of this study the focus throughout the research will be on the formal and informal controls. Langfield-Smith (1997) defined formal control systems as visible and objective components. The components included are rules, budgeting systems and standard operational procedures. Formal controls are often financially oriented and involve monitoring, measuring and the adoption of corrective actions. The purpose is therefore to ensure the achievement of specific outcomes. The informal controls are not formed deliberately and can include the organizations unwritten policies (Langfield-Smith, 1997).
1.4.5 Systems
Anthony and Govindarajan (2007, p. 5) define systems as: “A system is a prescribed and usually repetitions way of carrying out an activity or a set of activities”. The characterization of systems can be seen a synchronized and repeated series of steps that are conducted with the intention of achieving a specific purpose. (Anthony & Govindarajan, 2007).

1.4.6 Management Control Systems
Management control systems are used by managers to implement strategy. Simons (1995) identifies four different Management Control Systems: Interactive, Diagnostic, Belief and Boundary management control systems. These help to plan, coordinate and measure the strategic process.

1.4.7 Innovation
Innovation is also an important driver for renewal, since innovation can foster new ways of operating (Arvidsson & Mannercik, 2009). Johnson, Scholes and Whittington (2008) identify innovation as “Innovation involves the conversation of new product, process or service and the putting of this new product, process or service into use, either via the marketplace or by other processes of delivery” (p. 325).

1.5 Delimitations
The intention of this thesis is not to explain the entire process of strategic renewal; it is rather on how it is implemented through MCS with a focus on feedback and measurement and the implications associated with them. Furthermore, the delimitation of this thesis is that the research is conducted solely with one large Swedish case company with a specific organizational structure, which may not be applicable to all companies.

1.6 Disposition

Figure 1.1 Thesis Disposition
2 Frame of Reference

This chapter presents the frame of reference for the thesis. It begins with providing the reader with the context of the topic by presenting the definitions, actors and theories concerned with the chosen field of study. It thereafter provides a more theoretical perspective of the factors identified, which influences organizational systems and strategies.

2.1 Strategy

Johnson et al., (2008) defines strategy as “...the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.” (p. 3).

Grant, (2013) further explains strategy as a link to the business’ vision and how to achieve certain goals. The chosen strategy should also secure renewal and growth for a business. The strategy should make a fit between the business activities and the external environment as well as its internal resources and capabilities; this is required in order to gain competitive advantage.

To define a strategy there are static aspects to understand such as where to compete and how to compete. That also includes dynamic aspects, for example vision and mission statements, performance goals, growth modes and so forth (Grant, 2013).

![Successful Strategy Diagram](image)

Figure 2.1 Successful Strategy - Adapted from Grant (2013) Contemporary Strategy Analysis

As the figure by Grant (2013) shows, there are three important elements to consider in ones’ strategy to be able to obtain a successful one; long-term goals, competition analysis and locating resources. In addition, he explains that these aspects are important for the strategy formulation and therefore also the implementation.

2.1.1 Formation and Implementation of Strategy

The concepts of formulation and implementation of a strategy hold different connotations; they are nevertheless correlated (Johnson & Scholes, 1989). The authors continue by defining the terms and state that; “Strategy formulation is the managerial activity (often of a cognitive nature) involved in forming strategies while strategy implementation is concerned with translating the chosen strategy into action” (p.
Therefore, the formation of a strategy occurs first and the currently developed taxonomy by Mintzberg (1978, 1994); Mintzberg and Waters (1985) discuss the characteristics and its processes. According to the authors, the strategy formation process consists of two independent processes that work simultaneously.

The first process is the intended strategy, in its taxonomy, is perceived as a formal and proactive statement that has been planned in advance prior to taking a final decision or before an action is undertaken. Mintzberg (1978) argues that the intended strategy is expected to be the most appropriate action in order to accomplish the firm’s aims. Furthermore, if the firm’s situation is considered to be appropriate in relation to its needs, the firm may exercise tricks, maneuvers or other properties that they will use to prevent or threat competitors from entering the same market segment. The fundamental concept of this strategy is that all actions and decisions have to be planned well in advance. In this particular view, the intended strategy explains a bottom-up plan in a firm. While top management in a firm employ analyses and planning, other managers involve themselves in the formation process of intended strategy (Mintzberg, 1978).

Mintzberg’s (1978) second strategy formation process is the one concerning emergent strategy. This type of strategy is the outcome of cumulative influences derived from day-to-day decisions made by middle managers, operational managers, sales personnel and so forth. The decisions conducted by them are most often not of tactical characteristic and are therefore not as structured as strategic decisions. The emergent strategy reveals itself as a response to external threats and is not predicted in an early phase via try out or trial and error (Mintzberg, 1994). The strategy is derived from the daily activities of a business and it is occasionally the product of an unpredictable idea rising from the lower levers of a company to the higher positions. This kind of strategy is the outcome of the manager’s response on a daily basis to solve issues or embrace unpredictable opportunities (Mintzberg, 1994).

Anthony and Govindarajan (2007) agree that strategy can be intended or emerging and is either developed through a formal and rational process dictating the design of the firm’s management systems or appear through experimentation. The authors add that the nature of the strategy is correlated to the industry that the firm operates in and the degree of predictability of the environmental changes.

After completing the strategy formation process, a phase of implementation will follow (Langfield-Smith, 1997). This sort of strategy is called by intended strategy, which is a plan that becomes the aim for a firm. Strategy implementation is the managerial interventions that align organizational action with the new strategic intentions (Floyd & Wooldridge, 1992). The implementation process includes action with intentions, concerning the structure of the firm, key personnel action and management control systems (Hrebiak & Joyce, 1984 cited in Floyd & Wooldridge, 1992). Since the mid 1990’s, researchers on strategic management have explored the relationship between management control systems and strategy, further investigating the ever-changing conceptualized strategy more in-depth (Langfield-Smith, 2007). According to Bhimani and Langfield-Smith (2007), previous research with emphasis on strategic management show indications that there is a wide variety in form and nature of strategy processes that occur within organizations.
2.1.2 Strategic Renewal

The desire to be strategic can lead a company to review its strategy, which can be generated in the formation of strategic renewal or change (Agarwal & Helfat, 2009). There are various conceptions of being “strategic”, however in the purpose of the research by Agarwal and Helfat (2009), they defined it as “that which relates to the long-term prospects of the company and has a critical influence on its success or failure” (p. 281). That includes both factors that are currently not important but will be in the long run. Due to the reports focus on the phenomenon of “Strategic Renewal”, it is vital to explain the definition of the term and define how it differs in comparison to “Strategic Change”.

According to the Oxford English Dictionary (2010), the word “change” is defined as “make or become different” which encompasses refreshment and replacement. However it can also refer to additions, deletions and extensions. Renewal is also considered as one type of change, which clearly distinguishes between the terms “Strategic Change” and “Strategic Renewal”.

The process or event of strategic change is when a company changes its strategic direction in order to reach a certain mission or vision or to alter it entirely and create new ones (Hofer & Schendel 1978; Johnson et al., 2012). Baden-Fuller and Volberda (1997) define the phenomenon of change within organizations as a relative one, since no organization is ever in a state of complete stasis; they are always changing due to conflicting pressures. According to the authors, these conflicting forces are change versus stability. The desire to change comes from the threats of survival as well as the aspiration to grow and become more successful. The pressure for stability on the other hand, is not just inertia; there are also forces in the short-run that require the maximization of a company’s capabilities and resources (Baden-Fuller & Volberda, 1997).

Strategic change is a very well researched field of study; a less distinct strategic process that has received relatively little attention is the one of strategic renewal, although just as critical as continuous strategic change for the success of organization (Agarwal & Helfat 2009). The authors define the concept as: “Strategic renewal includes the process, content, and outcome of refreshment or replacement of attributes of an organization that have the potential to substantially affect its long-term prospects” (p. 282). When identifying the potentially critical future factors, the authors refer to the work of Rumelt, Schendel and Teece (1994) where they provide examples consisting of goals and policies that determine the competition amongst rivals, products and services, as well as organizational structure and policies that define and coordinate work. The list was extended after more recently conducted research and the added factors were tangible and intangible assets, competencies and processes such as routines and people (includes both individuals and teams).

The definition of strategic renewal provided by Agarwal and Helfat (2009) does not relate to all types of change, a connection is made only to refreshment and replacement with no specification of the exact nature of the renewal. Furthermore, the authors also distinguish between two different types of strategic renewal. The first type is discontinuous strategic transformations that due to the nature of the change (for example technology, customer demand or the mature or declining primary market) involve a replacement of important parts of the company and its strategy. The issue with the major transformations is that it will affect various organizational dimensions of the
company such as the business model, resources, capabilities and organizational structure and mindset. According to Agarwal and Helfat (2009), one of the solutions to the problems imposed by major transformations is ambidexterity. It refers to an organization’s ability to combine efficient management of today’s business while coping with changing demand as a possible scenario of tomorrow. The success lays in the usage of both exploration and exploitation techniques. The less researched type of strategic renewal is continuing incremental renewal, which enables the organization to avoid a larger transformation in the future by enabling them to manage the changes in the external environment as they occur (Agarwal & Helfat, 2009).

According to the research by Agarwal and Helfat (2009), strategic renewal is a phenomenon with a strong connection between the content and process of the present strategy. The ability to view strategic renewal from various perspectives will be beneficial due to the involvement of the multiple dimensions of change, such as organizational structure, routines, processes, resources and capabilities.

2.2 Organizational Structure and Managerial Roles

Menz (2012) stated that top managers possess the responsibility regarding strategy and control, however, lower level managers assist with this task by providing information and operational knowledge. Therefore, the process of strategic renewal can be directly affected by the organizational structure and the managers within it. Miller (1987) agrees that strategy-making processes and organizational structure are highly interdependent. Organizational structure is referred to be the formal configuration among individuals and groups concerning the allocation of responsibilities, tasks and authority within an organization (Galbraith, 1987; Greenberg, 2011). Organization structure can be more or less centralized or decentralized in its design. Miller and Friesen (1983) argue that centralized structures are informal and rather simple and therefore the modes of strategy making are usually exclusively intuitive and individualistic. Decentralized structures, on the other hand are more formal, integrated and specialized in its design and in terms of strategy making, the mode is based upon intended rationales (Miller & Friesen, 1983).

Other researchers have also examined the relationship between organizational structure and strategy. Chandler (1962, 2003) is one of the authors that laid the foundation for this approach, by tracing the historical development of large organizations, he concluded that an organization’s structure tend to be influenced by its strategy. Furthermore, he suggests that variables such as organizational tasks, environments and technologies are indirectly determined by strategy and in addition these variables influence the structure of the organization as well.

According to Mintzberg (1983), organizational structure exists to capture and direct systems of flow and to further define the interrelationship among different segments of the organization. The author makes a distinction between three parts of the managerial structure: the operating core (operational level and operational management), the middle line (middle management) and the strategic apex (top management).

At the base of an organization, the operational level (employees with no managerial function), they are the people who carry out the organizations tasks. Together with operational managers they form the basic work of operations and therefore represent the operating core. In the simplest organizations, the operating core is largely self-sufficient and coordinated via mutual ad-
justment. Still, an organizational structure requires more than an operating core, especially in terms of larger organizations with a more complex division of labor between its operators where the need for supervision increases. Therefore, large organizations do not only require managers of operators, but moreover also managers of managers and a top manager whom sits at the strategic apex. Hence, a middle line is created which works as a hierarchy of authority between the strategic apex and operating core, constituted of the middle management (Mintzberg, 1983).

The following sections will differentiate these managerial roles and enhance the understanding between them and their connection to the strategic renewal. Therefore, the operational level will be left out due to the exclusive focus on managers in this thesis.

2.2.1 Top Management

Top managers are referred to as the strategic apex by Mintzberg (1983); the top management is constituted by those individuals charged with the overall responsibility of the organization. Therefore, they are accountable for ensuring that the organization serves its mission in the most effective way possible.

The main task of the top management is to formulate strategy and coordinate the organization’s different departments to follow the overall strategic direction (Alexiev, Jansen, Van Den Bosch & Volberda, 2010). Furthermore, Menz (2012) defines the top managers’ responsibility as the coordinators of strategy and control since they are both formulating and deciding upon strategies. The factors that influence their decision-making are a combination between the external environment and information communicated from lower management.

2.2.2 Middle Management

The middle management works as an intermediary connection between the top- and operational management, transferring and implementing the top management’s strategic decisions to the operational management and vice versa (Mintzberg, 1983; Besson & Mahieu, 2011).

In the traditional strategy process, middle managers have only been considered to direct implementation and providing informational inputs (Woolridge & Floyd 1992). The ability to implement the top management’s strategic direction has often been considered as the key strategic role of the middle management (Nutt, 1987; Schendel & Hofer, 1979). Only during the last decades, research has confirmed that the middle management also has an upward influence on strategic decisions, which demonstrates a positive relationship between organizational performance and middle management’s contribution to strategy (Woolridge & Floyd, 1990).

The middle manager is not just transferring and implementing strategies, Balogun (2003) argues that they are also reflecting and contributing in the process of strategy formation. Moreover, middle managers interpret and orchestrate directions received from top management info efficient actions based on the tacit knowledge that they obtain from interaction and communication with the operational management.

Therefore, the middle management can be seen as the bridge between the strategic goals created top-down and emerging bottom-up (Bower & Gilbert, 2007) and is therefore a key contributor to strategy.
2.2.3 Operational Management

In Mintzberg’s (1983) framework of organizational structure, the operational management works as an extension between the operational level and the middle line. He also refers to operational managers as first-line supervisors, since they have direct authority over its operators. The operational managers embody a coordinating mechanism allowing them to exercise direct supervision throughout the operating environment (Mintzberg, 1983).

Scott (1979) suggests that the responsibilities of operational management consist of “those activities which relate to the sphere of decisions concerning the implementation of corporate strategy and hence to the immediate day-to-day administration of company operations” (p. 37).

Every organization has an operating core, due to the fact that they all provide products and/or services to some extent. The operational management consists of the individuals whom have particular responsibility for managing all, or some of the resources existing in the operating core. One of the most important responsibilities of the operational management is to work efficiently with other parts of the organization. In modern day management, it is fundamental that efficient internal processes are not hindered by functional boundaries between divisions (Slack, Chambers & Johnston, 2010).

2.3 Management Control Systems

As previously mentioned, the implementation of strategic renewal of a company has a connection to the organizational structure and therefore its managerial roles (Chandler, 1962, 2003; Miller & Friesen, 1983). That process can be executed through various tools that are available to the managers (Anthony & Govindarajan, 2007), which will be introduced in this section.

A strategy can be implemented through the management of human resources, organizational structure, particular culture and management controls (Anthony & Govindarajan, 2007). Planning, coordinating, communicating, evaluating, deciding and influencing are all activities that are included in management control and this connotation occurred already in 1965 when it appeared in a research of Robert Anthony. The author made a distinction in his study regarding “management control” from “operational control” and “strategic planning”. Furthermore, in this traditional approach Anthony defined “management control” as “the process by which managers ensure that resources are obtained and used effectively in the accomplishment of the organization’s objectives” (cited by Langfield-Smith, 1997, p.208). However, this definition puts a strong emphasis on the accounting-based controls and therefore excluding many other control systems, making this framework narrow (Otley, 1994; Langfield-Smith, 1997). Puxty (1989) agrees with the statement above and adds that the traditional definition of “management control” is aimed mainly at controlling managers’ behavior. This also aligns with the view of Flamholtz, Das and Tsui (1985) where authors describe MCS as a process of influencing behavior.

Therefore, it was suggested that there is a need to include other forms of control and information in regards of management control and management control systems (Lövstål, 2008). Simons (1995) implemented these ideas and included code of conducts and mission statements in his framework. Otley (1994) also recognized the need to review old definitions in order to adjust them to the changes in the business conditions that were occurring during the 1990s. This view
is also shared by Langfield-Smith (1997) that suggests that formation and implementation of a strategy and the connection that MCS has in those areas should be included into the general understanding of MCS.

Management control systems are defined as "The formal, information-based routines and procedures used by managers to maintain or alter patterns in organizational activities" (Simons, 1995, p.5). As the definition suggests, Simons states that the purpose of the management control systems is to "managers to maintain or alter patterns in organizational activities" (Simons, 1995, p.5) and therefore include both goal-oriented and emerged innovation. In the research conducted by Otley (1999) the author defines management control systems similarly to Simons (1995): ‘Management control systems provide information that is intended to be useful to managers in performing their jobs and to assist organizations in developing and maintaining viable patterns of behavior.” (p. 364). Lövstål (2008) agrees with the presented definitions, however she also emphasizes that neither of these descriptions disclose the characteristics of the information.

Merchant and Otley (2006) stated that MCS are influenced by the context in which MCS operate and therefore there is a need to adjust it to the organization’s needs. When deciding upon MCS, the important variables are the environment, technology and the organization’s size and strategy. Anthony and Govindarajan (2007) stated that management control systems should be designed to ensure a high level of goal congruence, meaning that personal goals of individual members should be consistent with organizational goals. The authors acknowledge that congruity between them is an impossible task; nevertheless, an acceptable control system will not support an individual to take actions that are not in the best interest of the organization as a whole. Furthermore, the authors believe that goal congruence is the main purpose of the management control systems. Ouchi (1979) and Flamholtz (1983) view management control systems as a tool to increase cooperation among the individual members or units of an organization whose objectives differ in order to achieve organizational goals.

In the research by Otley (1994), the author states that the control function should be embedded at all levels of organizations and not be limited only to higher levels. If an organization fails with this approach – it will not survive in a rapid changing environment. Furthermore, managers at lower levels are now receiving more responsibility when it comes to control and adaption, meaning the usage of the term “management control” is still accurate but important managerial functions are no longer located at a specific managerial level. The activities of strategic importance are now affected not only by middle- and senior managers, but also lower level employees (Langfield-Smith, 1997). Anthony and Govindarajan (2007) agree that management control processes encompass not only managers but also the staff at all levels of the organization. Otley (1994) and Simons (1995) emphasize that there is a decreased need to focus on the senior managers in the research of MCS due to the empowerment of employees.

The framework presented by Anthony (1965) is therefore argued to no longer be applicable due to its boundaries between managerial, operational and strategic control (Langfield-Smith, 1997). Otley (1994) states that management control includes both strategic planning and operational control. The underlying reason is the need of the manager to continuously reformulate the strat-
egy in order to match the environmental changes and to monitor the corrective actions regarding the changes at the operational level (Otley, 1994).

The research by Otley (1999) can therefore be seen as a response to developing a more complete framework. In order to succeed with the task, the author analyzed three performance management techniques – budgeting, economic value added and balanced scorecard. The last mentioned is intended to effectively deploy strategy and to connect operational practices with strategic content through its central position in the organization’s control mechanism.

2.3.1 Types of MCS

According to Simons’ (1995) framework of levers of control, the management control systems that are available to management can be divided into four subsystems: belief-, boundary-, diagnostic- and interactive systems.

A belief system is an explicit set of organizational definitions that are used to communicate core values and direction of the organization (Simons, 1995). They are created and communicated formally through mission statements and statements of purpose and are intend to inspire and direct the search for new opportunities.

A boundary system is according to Simons (1995) designed to communicate the limits and unlike belief systems it does not specify any positive ideals. The purpose is to outline the acceptable behavior that will minimize risks and opportunity seeking in the organization. Example of a basic boundary system is the code of business conduct.

A diagnostic system monitors the organizational outcomes and is essential for implementing intended strategies and is therefore concentrating on the yesterday’s strategies (Simons, 1995). The system is used to monitor and optimize outcome through for example budgets, business plans and compensation systems.

An interactive system is a formal system that requires a regular and personal involvement from managers in the activities of subordinates (Simons, 1995). The system provides strategic feedback, enhance new organizational learning and track new ideas.
Simons (1995) states that positive and inspirational forces are created by interactive control systems and beliefs systems. However, the diagnostic control systems and boundary systems ensure the obedience and create constrains. According to the author, the effective control of strategy is achieved by the usage of these countervailing forces. It is vital to understand these subsystems and the correlation between them. Nevertheless, due to the focus of the thesis being on the non-cognitive factors, an in-depth description will be given solely for the feedback and measurement systems – diagnostic and interactive control systems.

2.3.1.1 Diagnostic Control Systems

Simons (1995) states that the most pervasive diagnostic control systems in business firms are profit plans and budgets. However, this subunit also includes goals, objective systems, business plans, market share monitoring systems and standard cost accounting systems. Furthermore, Simons (1995) states that practically all discussions of management control systems refer to diagnostic control. This system is used to report important achievement factors and requires a continuous monitoring to recognize the intended strategy of the organization (Ismail, 2013). The reasons behind the usage of diagnostic control systems are according to Simons (2000) to save the manager’s attention and effectively implement strategy. Furthermore, the author states that management control is synonymous with the definition of diagnostic control systems.

The result of the research conducted by Ismail (2013) focused on relationship strategy and the use of MCS, confirming that there is no impact between diagnostic control systems and emerging strategy. The system measures output variables that must be achieved in order for intended strategies to succeed and these variables are referred to by Simons (1995) as critical performance variables. The identification of them can be made through analyzing the intended strategy of the organization and its associated goals. Simons (1995) argued that diagnostic control could be seen as a more traditional view of organizational control.

Lövstål (2008) researched the balancing challenge of MCS in entrepreneurial organizations and discussed the preferable level of involvement of superior managers. The aspects discussed concerning involvement from superiors within the management control literature are concerned with diagnostic and interactive controls (Simons, 1995), but also the loose and tight forms of control. Lövstål (2008) links the characteristics of diagnostic control to a tight-form of control. However, the author notes that the level of tightness decreases due to a low level of the top manager’s involvement. It occurs due to the fact that as long as targets are meet – the diagnostic control implies that subordinates are left alone (Lövstål, 2008). A tight control is argued to be consistent with interactive systems due to the close control from the management.

2.3.1.2 Interactive Control Systems

Interactive control systems are presented as an alternative view of organizational control and it strives towards innovation, renewal and the gathering of information outside of routine channels (Simons, 1995). Therefore, the manager’s attention together with an enhanced dialogue within an organization leads to focusing on the strategy of tomorrow. In the research by Mintzberg (1987), the author had a similar definition of the system, stating that it is used by top management in order to guide the strategy formation process that occurs through personal involvement and closeness to the problem.
Simons (1995) points out that interactive systems are *not* a unique type of a control system due to the fact that senior managers can use many types of diagnostic control systems interactively. The difference in the actual and expected results becomes apparent through diagnostic control systems, however a diagnostic system does not provide any explanations. Instead, the search for understanding regarding this discrepancy can be done if using that diagnostic system also interactively. For a control system to be used interactively it must fulfill certain conditions. Firstly, it has to require a continuous reforecasting of future results that is based on readjusted current information. The control system should provide information that is easy to understand and should also trigger a plan of action. Furthermore, the control system should be used by managers at all levels of organization, not just top managers. While these four conditions are necessary, but not sufficient, the fifth condition is critical. Simons (1995, p. 109) defines it as “A control system must collect and generate information that relates to the effects of strategic uncertainties on the strategy of the business”.

In his previous research from 1991, Simons suggests that managers choose one type of a control system to use interactively depending on the situation. High cost is one of the reasons to focus solely on one interactive control system. Furthermore, a person’s capability to process a large amount of information is limited and multiple interactive control systems would negatively affect the process of the data required for a dialogue (Simons, 1995). The author adds that it also exists strategic reasons for solely using one control system interactively, meaning an avoidance of information overload and potential paralysis. The usage of multiple control systems only occur when going through a short period of crisis. Simons (1990) also states that senior managers that do not possess a strategic vision, and will consequently not use control systems interactively.

There are certain characteristics associated with all interactive controls systems (Simons, 1995). They demand frequent attention of managers at all levels of the organization. An interactive process may also occur at the lower levels of the organization, however according to Simons (1995) that is not the focus and the author states that: “information generated by the system is an important and recurring agenda addressed by the highest levels of management” (p.97). Another characteristic is that the data generated is discussed in face-to-face meetings with superiors, subordinates and peers. Furthermore, the systems promote a debate regarding the underlying data and assumptions.

Interactive control systems can provide both negative and positive information to the managers in charge. The fundamental environmental shifts can result in either threats (e.g., change in customer preferences or loss of market share) or opportunities (e.g., new market opportunities due to a removal of certain governmental regulations) (Anthony & Govindarajan, 2007). A control system that is used interactively provides an opportunity to identify these shifts that occur outside of the company’s control, also known as strategic uncertainties (Simons, 1995). The author adds that this offers a possibility to a fast adaptation through changes in strategy. Anthony and Govindarajan (2007) agree with this statement and add that in industries that are subjects to fast environmental change, management control information, especially if non-financial, can become an aid for the development of new strategies.

Furthermore, Anthony and Govindarajan (2007) claim that in order to survive in a rapidly changing environment, a *learning organization* is required. The term refers to the ability of the employees
to cope with these changes on a continuous basis. An effective learning system, according to Anthony & Govindarajan (2007) is the one where employees at all levels are scanning the environment in order to identify potential problems and opportunities. Anthony and Govindarajan (2007) conclude that the facilitation of creating a learning organization is therefore the main objective of interactive control. According to Simons (1995) the organizational learning is stimulated by interactive control system, which enhances the development of new ideas and strategies and enables strategic renewal.

Managers throughout the organization have a responsibility to interpret and use the information that is contained by the interactive control systems, due to the frequent usage of these systems by top managers (Simons, 1995). Middle managers possess an important role regarding making the interactive control process work efficiently, due to their position to move information up-, down- and side-ways in the company. The positive outcome of the interactive control systems depends on an environment where participants do not feel threatened; putting a pressure on the senior managers to create such an environment (Simons, 1995).

2.3.2 Differentiation Between the Key Constructs

A successful implementation of strategy requires an understanding and analysis of the key constructs, each of which is controlled by previously introduced management control systems (Simons, 1995). Therefore, a further distinction is made between the key constructs of the investigated control systems to facilitate that process.

As previously mentioned, strategic uncertainties are connected to the interactive systems while, critical performance variables, also known as critical success factors, align with diagnostic systems. The fundamental difference between strategic uncertainties and critical success factors is that the last mentioned derive from the chosen strategies and facilitate the implementation of the strategies. The strategic uncertainties however, focuses on the formation of emerging strategies and unlike critical success factors does not result in answers, but in questions: what has changed and why? (Anthony & Govindarajan, 2007).

![Critical Performance Variables](image)

**Figure 2.3 Critical Performance Variables - Adapted from Simons (1995) Levers of Control**
2.3.3 Balanced Scorecard: An Alternative Analysis of the Key Constructs

The previous section introduced parameters that enable the differentiation between critical performance variables and strategic uncertainties, which facilitates their identification and analysis. However, Kaplan and Norton (1992) introduced an alternative way to analyze critical performance variables and other measures that are associated with intended strategies, which is known as a “balanced scorecard”. It includes four categories: financial measures, internal business measures, customer measures and innovation and learning measures. According to this framework, effective managers use diagnostic measures in all of these four categories at the same time in order to achieve desired goals (Kaplan & Norton, 1992). The balanced scorecard is therefore one of the performance measurement systems, the goal of which is to implement strategy (Anthony & Govindarajan, 2007).

Mooraj, Oyon and Hosteller (1999) agree that balanced scorecard is a strategic control tool. The authors also refer to Simons (1990) when discussing the priority of the systems in an organization. According to him, the top management will address the perceived uncertainties that they perceive as a threat for the achievement of their visions by solely focusing on one of these systems one at a time. Mooraj, et al., (1999) do not agree with this argument and state that there is no reason why a manager should be forced to make this choice. The authors believe that a control system should include diagnostic, interactive and boundary elements since each of them has its own place within an organization and a combination of them can be found in balanced scorecard.

Kaplan and Norton (1996) stated that the adopters of a successful balanced scorecard apply the scorecard as an interactive system and a failure of certain implementations can be explain by the usage of a scorecard as only a diagnostic tool. Otley (1999) also stated that there might be a connection between a scorecard and interactive control systems that were presented by Simons (1995). Mooraj, et al., (1999) agree with Otley (1999) regarding the elements of interactive control systems in a balanced scorecard.
2.5 Innovation in Terms of Renewal and Control

Another denominator concerning management control and strategic renewal is innovation (Poskela & Martinsuo, 2009). In order to be competitive, companies need to be innovative (Johnson et al., 2008), MCS may or may not affect the innovation of a firm according to different researchers (Simons, 1994; Kanter, 1995; Lövstål, 2008).

The term “innovation” is defined as “Innovation involves the conversion of new product, process or service and the putting of this new product, process or service into use, either via the marketplace or by other processes of delivery” (Johnson et al., 2008, p. 325). Innovation may create new business models (Johnson et al., 2008), which would also mean a shift in strategy. To be able to change or renew ones strategy, you need to challenge the long-standing mindset or assumptions and to do so you need to be entrepreneurial in mind (Johnson et al., 2008). Arvidsson and Mannercik (2009) agree that innovation is an important driver for renewal, since innovation can foster new ways of operating. Hence, renewal is based on exploring business opportunities to reach an improved way of operating and this is difficult without an entrepreneurial mindset.

Entrepreneurship and innovation are often connected to uncertainty and turmoil while MCS aims to create order and efficiency, hence it seems like the two concepts are opposites (Lövstål, 2008). Researchers do not agree if MCS inhibit or promote innovation and entrepreneurship, e.g. reward and performance measurement systems may improve innovation since it encourages teamwork and supports short-term thinking that may lead to impulsiveness and new ideas (Kanter, 1985). Simons (1994), believes that MCS can improve and work as a lever of innovation. He emphasizes that innovation, renewal and development are aspects for entrepreneurship and can be a result of MCS depending on how they are used. Seelig (2012) is supporting this statement, she argues that restrictions only exist for the non-creative individual, since creativity allows one to think ‘outside the box’.

Johannisson and Lövstål (1995) suggest that entrepreneurial activities should be isolated into separate departments, since MCS can harm the innovation of a firm. By isolation, people may be allowed to work freely apart from the control systems and embrace the creative process without rules. Innovation is an attribute that relies on individuals, and the level of innovation in-between individuals varies. Seelig (2012) discuss how a company can work to improve innovation at an individual level and in turn become an innovative business. She argues that to be able to adapt in a changing environment innovation is evident, therefore it is important for businesses to have creative people in their teams. If an organization overlooks the importance of creativity, it will not be able to compete successfully. Drazin and Schoonhoven (1996) argue that there is a link between an organization’s strategic focus and the behavior of the top managers. Woodman, Sawyer and Griffin (1993) discuss how individual-, group- and organizational-level variables are linked to creativity.


3 Methodology

In this section of the paper, it is explained how this study has been conducted; the research philosophy that has influenced the report as well as the selected research approach and strategy. In the later part of this chapter, the data collection, how this data is analyzed and the trustworthiness is discussed.

It is easy to mistaken method for methodology, but the two terms should more correctly be separated. Method is a description of the practical way that the research will be obtained (Svenning, 2003). While methodology discusses epistemological and philosophical research approaches more profound. Hence, methodology maps the researchers’ beliefs and philosophy. This is evident for the readers since it aids to get a deeper understanding of the research and the researchers’ views (Saunders, Lewis & Thornhill, 2012).

Saunders et al., (2012) divides research philosophy into three parts: ontology, epistemology and axiology, with several sub groups. In this research, the concepts “strategic renewal” and “management control systems” are further investigated, with the motives to study the details of these concepts to understand reality, which is associated to the interpretivist philosophy (Saunders et al., 2012). In this philosophy, it is essential to investigate the subjective meanings encouraging the actions of social actors to comprehend these actions. Hence, the research philosophy ‘interpretivism’ is followed in this research rather than positivism where the focus of interest is relatively generalizing and excluding of some social and cultural dimensions.

3.1 Research Approach

To be able to answer the research questions it is needed to have a research approach or strategy (Saunders et al., 2012). This strategy is a plan of actions for how to precede the process of answering the chosen research questions. There are two traditional approaches that examine the relationship between the nature of knowledge and reality: induction and deduction.

Hyde (2000) explains that the deductive approach begins with the theory, which then follows with a formulation of hypotheses and finally ends with the empirical data. Hence, the researchers use a ‘top-down’ procedure. Whereby the inductive approach does the reverse; the researchers start by observing a sample and then express hypotheses and end with theory to contribute to a conclusion.

Saunders et al. (2009) define other dimensions of the two approaches; deductive is basing its statistical data on theory, while inductive approach is basing the theory on the statistical data, nevertheless the researchers may end up with the same conclusions. Hence, in order to answer “why” questions the inductive approach is used, where observations and interviews are made on a smaller sample (Saunders et al., 2009). The deductive approach is applied on a much larger sample with the aim to answer “what” questions and explain the causal relationships between variables (Saunders et al., 2009).
In this research, when the topic of strategic renewal and control systems was chosen as our field of study, we had a meeting with one of the operational managers at Swedol for guidance. The meeting provided an improved insight of the selected research subject, which enabled us to focus on sense making and sense giving (deduction) by conducting a literature review. The following step was to formulate our research questions (induction) and then with interviews a more profound understanding of our field of study could be obtained.

![Deduction Induction Abduction](image)

Figure 3.1 - Research approach: deduction, induction, abduction. Alvesson and Sköldberg (1994) p.45

The decision whether to use one or combining the two (abductive approach) is evident. Saunders et al (2009) suggest that the abductive approach is adding more value to the research. As explained, in this research both the inductive and deductive approach is followed. Induction and deduction can be seen as two linear processes (Blakie, 2007) but the research process is more complex, hence one needs to go back and forth between the theory and reality. With this in mind, the chosen approach for this study will be the abductive approach.

### 3.2 Research Strategy

Experiments, surveys, case studies, action research, grounded theory, ethnography and archival research are all different research strategies (Saunders et al., 2009). These are tools that help one to answer the research questions as well as foster new knowledge (Blakie, 2007). There are several variables that affect the decision on which strategy that will be used such as the authors’ moral, existing theories and access to appropriate resources (Saunders et al., 2009). The research strategy that the researchers decide to use is important to discuss since it guides one to the answers of the selected research questions (Saunders et al., 2009). Saunders et al. (2009) also stress that there is no strategy that is superior to another, what determines the suitable strategy is the ability of answering the research questions.

The selected research strategy for this research is the case study approach, which is a strategy where you do an empirical investigation of a certain real-life phenomenon (Saunders et al., 2009). This strategy is relevant to us since we want to investigate the process of control systems and enrich our understanding in the field of strategic renewal. A case study should be considered when you want to answer “how” and “why” questions, when you cannot affect or manipulate the behavior of the people involved in the study and when you think that the contextual conditions are relevant to the study (Yin, 2003).
There exist different types of case studies; Yin (2003) defines four types: explanatory, exploratory, descriptive and cross-case studies. Where the descriptive case study “offers a rich and revealing insights into a social world of a particular case.” (Yin, 2003 p.49) and is appropriate for single-case studies that are either examining the uniqueness of a situation, extreme situations or typical situations. Explanatory case studies are described as the most complex type of a case study (Yin, 2003). When you try to explain how and why something has happened, which may be time-consuming due to its complexity. The third research strategy presented by Yin (2003) is the cross-case syntheses, which is appropriate for multiple-case studies, since they demand a wider range of evidence (Yin, 2003). Hence, not appropriate to our study. When the case study is used to explore situations that have no clear set of outcomes, the exploratory case strategy is being applied (Yin, 2003). For this study, the exploratory case study is applied, since implementing strategic renewal in a large firm is complex and involves many processes that need to be investigated.

Stake (1995) defines three types of case studies: intrinsic, instrumental and collective. An intrinsic case study is when the case is primary and selected before the research subject is determined. The instrumental case study is when the case helps to understand something else, often an unusual case that is supposed to illustrate what we miss in typical cases. The last case study that Stake (1995) identifies is the collective case study, which is a study of several cases with the aim to make a more generalized conclusion. According to Stake’s (1995) definitions of different case studies, our research is based on the instrumental case study strategy, since our case study is not in primary; instead it is used to understand the concepts of management control systems, strategic renewal and innovation. Hence, our case is used in order to understand something else which relates to the instrumental case study concept by Stake (1995). This help us answer our research questions, since the case give us insight to the studied variables.

3.3 Qualitative Method

Creswell (2003) branch out three groups of research approaches that can be used in a research: quantitative, qualitative and mixed method. The quantitative research method is defined as an approach that uses specific variables such as measurements and observation to test theories; these are often obtained through statistical data such as questionnaires and experiments (Creswell, 2003). Qualitative method on the other hand, is used when the researchers want to answer open-ended questions (Creswell, 2003); where ethnography and action research is mainly used (Saunders et al., 2012). When these two methods are combined, the multi-method is implemented and the research questions are answered through case studies and archival research (Creswell, 2003).

We have chosen to conduct a case study through interviews with management in all layers of an organization, which is qualitative research. This will help us to understand all the dimensions concerned with the selected topic, which statistical data will miss due to our lack of knowledge of these dimensions. With interviews we can get answers that we did not predict which can bring more dimensions and insights to the research, than a questionnaire would.
3.4 Data Collection

Primary data and secondary data are two types of data that can be collected when the researchers want to answer their research questions (Saunders et al., 2009). Primary data is collected through interviews, questionnaires, observations etc., while secondary data is collected through already collected data; for instance through reviewing existing literature. Both primary data and secondary data are collected in our research. We will conduct primary data through interviews. In this research, the secondary data is gathered and presented in the chapter “frame of reference”, this data is mainly collected from the Jönköping University Library and the online Library, as well as the case-company’s annual report. To ensure that the secondary data that is used is relevant and reliable we have gathered information from those authors that has been highly cited and recommended to us from our tutor. This will strengthen the reliability and quality of our research, nevertheless time and resources are limiting our study, due to these factors prominent literature that could have improved the study even more may have been left out.

3.5 Interviews

Conducting interviews allow us to collect first-hand information in a natural setting, furthermore we are also able to understand and interpret the observed behavior, situation and attitude in a more accurate manner and capture the dynamics of management control systems and strategic renewal in a way that would not had been possible without interpersonal communication.

A useful interview is dependent on the interviewer (Clough & Nutbrown, 2007); the result relies upon variables such as the ability of listening and communicating with the interviewees. Hence, it is important to be prepared and determine the structure of the interview before the interview takes place. Saunders et al. (2009) define the most common types of interviews; structured, semi-structured and unstructured interviews. The structured interview is when the same questions are asked to all interviewees and not more or less. The unstructured interview is more informal without specific guidelines. The semi-structured is a mix of these two approaches; where you ask open-ended questions but you are willing to let the interviewee lead you into a more informal discussion (Saunders et al, 2009).

We use the semi-structured interview form, since it not only leaves answers to our prepared questions but can also shed light on new dimensions that the interviewers were not aware of. This is appropriate to our research since we have an explanatory case study strategy and are asking how, what and why questions.

In order to obtain high quality interviews, preparation is important (Saunders et al., 2009); this is done through our literature review but also by some additional reading about our case company and the CEO. This helps us to formulate interview questions that fit our subject as well as they are relevant to the case company, it also increases our credibility and helps us to assess the accuracy of responses and will probably enable us to collect more detailed information (Saunders et al., 2009). Preparing the interviewees for the interviews is also essential, so that they feel relaxed which will improve the likelihood of accurate answers, therefore we conducted a short presentation of our study before we started each interview to provide the interviewee with information that leave out uncertainties.
Saunders et al., (2009) also emphasize on the factors; location, appearance, opening comments, approach to questioning and appropriate behavior as decisive factors, which can affect the quality of responses. Since we aim high and want to obtain in-depth interviews, all of the mentioned variables have been taken into consideration before conducting the interviews. We would also like to highlight that all interviews were conducted in Swedish since both interviewers and interviewees speak Swedish and that would be the most natural selection of language.

3.6 Case Selection

“The case is a specific, a complex, functioning thing” (Stake, 1995 p.2) and is similar to other cases in many ways but also unique in many other ways. As researchers using this approach we seek to find the similarities but also their distinctiveness with the objective to interpret them and understand their stories (Stake, 1995).

We decided to only use a single case to this study since we aim to investigate the complexity of implementing renewal in large organizations. To do so, we need to include all layers of management in the organization and understand the process thoroughly; we are then going to analyze the layers separately to understand how the levels work with renewal. Hence, three units (top-, middle- and operational management) are investigated and analyzed in one case company; these samples of units were selected since these are the managers with control to lead the renewal and they have a large impact on the success of the implementation process. Even though single-case studies are more vulnerable than multi-case studies (Yin, 2009) and will not be sufficient to draw general conclusions, a multi-case study would limit the depth of investigation. The instrumental case study is when the case itself is not in primary, the single case is a tool to investigate the theories and understand them. Hence, a multiple case study is not necessary to our study. Together with the instrumental case study we use the interpretivistic research philosophy, which in contrast to the positivistic philosophy, does not aim to make any general conclusions.

Studies of cases seem to be poor as a basis for generalization, but case studies will also touch activities or problems that might have been overlooked in another type of study (Stake, 1995). In case studies we always start by making generalizations, time-by-time these generalizations will be redefined due to our findings. Stake (1995) divides generalizations into: ‘petite generalizations’ and ‘grand generalizations’, which both can be incorporated in case studies. Hence, he argues that case studies can make general conclusions even though it might not be the objective. Therefore the possibility of a more general model should not be excluded completely.

3.7 Selection of Respondents

The process of selecting a sample varies depending on whether a research is classified as quantitative or qualitative. To conduct a reliable sample in a quantitative research it is essential that the sample is chosen randomly and also a large sample size decreases the risk of random sampling error (Marshall, 1996). In a qualitative research this type of sampling selection would be inconvenient; qualitative researches are trying to answer complex psychological issues rather than more mechanistic what-questions. Hence, another sampling approach is more suitable for a qualitative research, since these types of questions need to be answered by people that are able to provide insight and understanding for the researcher (Marshall, 1996).
The sample size is an important variable in both quantitative and qualitative researches; however the appropriate size varies due to the subject of research (Marshall, 1996). In quantitative studies, the sample is generally larger since the researchers want to make generalized hypotheses statements, while in qualitative studies the researchers are more concerned with meaning and understanding of processes (Mason, 2010). There exist numerous factors that determine the sample size in qualitative studies that makes it difficult to give suggestions for a sufficient sample size (Mason, 2010). There is a concept of saturation that is widely used in qualitative sampling; there is a point of diminishing returns, which mean that there is a point where more data does not provide more information to the study. How to reach this saturation varies due to the heterogeneity of the population, the quality of the data, the study design, the nature of the topic, the expertise in the topic etc. (Mason, 2010).

The aim for us is to provide data as information-rich as possible from our interviewees since we are under a time pressure. Therefore it will be the most important variable to us to reach the saturation of the sample size. To be able to receive this information it is therefore evident for us that the sample is anonymous, since under protection of this, more information will be handed to us. The interviews will be done separately which does not only protect their integrity but the interviewees will not be affected by their peers’ reflections. To be able to answer our research questions we need to classify our sample into three groups: operational managers (store managers), middle managers and top managers. To make a proportional study that monitors the reality, the sample size of operational managers will be larger than middle and top managers. These levels of management will then be analyzed in terms of similarities and differences.

Marshall (1996) has identified three sample strategies: convenience sample, judgment sample and theoretical sample. All these three are being used in this research; convenience sample means that the researchers have reached out to those who are most accessible, for instance those being geographically close to the researcher. This is beneficial in terms of money and time but can also be a weakness since the sample may not be representative for the target group. The judgment sampling strategy is more based on the perception of the researcher; whom the researcher consider as relevant for the research. The theoretical sampling is the last strategy presented by Marshall (1996) and this is a method where you base your sample on existing theories to supplement or extent these theories.

We started our study by investigating existing theories to select which were relevant and appropriate to our field of research, hence we started out sampling with the theoretical sampling method. The natural next step was the judgment sampling strategy in order to select those who could create the most value to our research. The judgment sampling is relevant to us since we use interviews as an approach to gather empirical findings; hence we are dependent on interviewees that are involved with the management control systems that we are studying. Finally we used the convenience sampling method due to our scarce resources of time and money; we needed to sort out who were accessible for face-to-face interviews.

To conduct a sample we wrote an e-mail (see appendix 2) that was sent out to the 41 operational managers, 3 middle managers and to the top management consisting of the CEO and sales manager. We did not receive as many answers from the operational managers as we expected, hence
we made some additional phone calls to those we found convenient to visit. During these phone calls we only received one rejection. We then made interviews until we met saturation, except concerning the middle and top management were we interviewed everyone involved.

<table>
<thead>
<tr>
<th>Operational Manager 1</th>
<th>OM1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Manager 2</td>
<td>OM2</td>
</tr>
<tr>
<td>Operational Manager 3</td>
<td>OM3</td>
</tr>
<tr>
<td>Operational Manager 4</td>
<td>OM4</td>
</tr>
<tr>
<td>Operational Manager 5</td>
<td>OM5</td>
</tr>
<tr>
<td>Middle Manager 1</td>
<td>MM1</td>
</tr>
<tr>
<td>Middle Manager 2</td>
<td>MM2</td>
</tr>
<tr>
<td>Middle Manager 3</td>
<td>MM3</td>
</tr>
<tr>
<td>Top Manager 1</td>
<td>CEO</td>
</tr>
<tr>
<td>Top Manager 2</td>
<td>SM</td>
</tr>
</tbody>
</table>

Table 3.1 Selection of respondents

The table above describes the abbreviations that will be used in the following chapters to address the various managers.

### 3.8 Data Analysis

Stake (1995) says, “There is no particular moment when data analysis begins. Analysis is a matter of giving meaning to first impressions as well as to final compilations.” (p.71). This is even more particular when using the abductive research approach, since this approach does not follow a linear process (Siedel, 1998).

Analyzing means, “…taking something apart” (Stake, 1995 p.71) and in this step we are making explanations and building a comprehension from our empirical findings and connect them to the frame of reference (Saunders et al., 2009). Since we are performing a qualitative research, we use categorical data, which means that the data cannot be measured or analyzed numerically (Saunders et al., 2009). To capture this data in a precise way, we follow Saunders et al.’s recommendation and use transcribed qualitative data, which means that we audio-record the made interviews (2009), this does not only allow one to analyze what the interviewees said but how they actually said it.

Stake (1995) identifies two ways to analyze: categorical aggregation and direct interpretation, in case studies researchers use both of these methods. Hence, we collect data and try to puzzle it together to understand their relationship (Categorical aggregation) as well as we “pull data apart and try to put it back together more meaningfully” (p. 75), which is the same as direct interpretation, where analysis and synthesis are interrelated.

Siedel (1998) has constructed a model “qualitative data analysis” (QDA) that describes the analyzing process in a simplified manner. He defines three elements in the analysis that constantly goes back and forward: noticing things, think about things and collect things.
As noted, this process is not linear (Siedel, 1998) and one does not simply think, notice and collect things and then write a study. Hence the model includes three characteristics: iterative and progressive, which means that analyzing is a repetitive circular process. The second characteristic is that QDA is “recursive” since one part can make you go back to a previous part and that different parts can work simultaneously. Holographic is the third characteristic, which means that each step of the analysis contains the entire process (Siedel, 1998). This concept is chosen since we have an abductive approach to our study; hence we do not follow a linear process to reach a conclusion. Through categorical aggregation and direct interpretation (Stake, 1998) we take pieces apart by conducting, noticing and thinking about the different parts and then putting them back together to understand correlations and perhaps find new ones.

3.9 Trustworthiness

Reliability and validity are both important to ensure when doing a research (Saunders et al. 2009). Would the data be the same if other researchers have collected it? Reliability is connected with the concept of consistency; hence a ‘yes’ to the asked questions would confirm that the research is reliable. Conducting reliable research is central, and therefore it is essential for the researchers to be transparent in the way that the data has been collected.

Validity of a research is obtained when the appropriate method approach is used and that it has resulted as intended. Saunders et al. (2009) argue that to conduct a reliable and valid research, some aspects should be considered when planning the process of conducting data eg. consider the approach to questioning, recording data and appropriate use of different types of questions.

To assure reliability of our study, we have attempted to be as transparent as possible throughout the entire research process. Thus, other researchers will be able to collect the same data for a similar study. To ensure validity, the questions to be asked during the interviews were carefully and strategically selected and to help the interviewee understand our field of study, brief explanations of some concepts were made before the interview started.

Other factors have been defined by Guba (1981) that may affect the trustworthiness of a study includes: credibility, transferability, dependability and confirmability. To ensure that the collected data is credible (reflecting the reality) we tried to be as objective as possible while interviewing,
hence to not include our own ideas or expectations, since we did not want to affect the interviewee’s behavior or feelings. Consequently, credibility deals with internal validity (Guba, 1981) and we did also early into the research process start to familiarize ourselves with the organization and made visits to the closest store and read documents such as annual reports and news articles without being subjective to the case.

Transferability is the second criteria that should be considered (Guba, 1981) and it is close to the concept of validity discussed by Saunders et al. (2009). Transferability deals with generalizability (external validity); to what extent generalization can be made. Positivists may argue that qualitative studies will not be able to make generalizations (Shenton, 2004). Stake (1998) presents a counterargument that even though qualitative findings are context-dependent, still a larger group is represented, and thus, transferability may be possible. To our single-case study we have chosen to look at three layers of an organization vertically, even though our results may be influenced by business culture we found similarities within each units as well as clear differences between the layers. Hence, some generalization can be drawn.

Dependability also concerns the issue of reliability, to be able to ensure the dependability of our study the interviewees have received the complete research to confirm the empirical findings and notify if any errors or misinterpretations have been made. This process is important to reduce translating biases that may have emerged from transcribing the interviews and support the credibility of the study.

Confirmability is the last concept presented by Guba (1981) and discusses the objectivity of the research. It is difficult to be completely objective as a researcher since biases can be reflected in interview questions (Shenton, 2004). A detailed methodological description will provide the reader with the benefit of self determine regarding the confirmability of the research. The fact that we are three researchers conducting this study will also reduce the objectivity of the research due to a wider interpretation of the data that can be discussed and determined in a group setting.

In addition, there might be some bias in the answers from the interviewee’s that might affect the trustworthiness of the research since the case company is listed on the stock exchange market. Thereby, some information might not be received, due to the possible affects it could have on the company.
4 Empirical Findings

The purpose of this chapter is to provide the reader with an idea of the case company and its organizational practices in order to form a base for the analytical work following in the subsequent chapter. Consequently, the case company presentation recapitulates the empirical material in a descriptive manner, without any deliberate interpretations. The description is structured into different categories or themes with suitable subheadings. These will be further analyzed in section 5 and onward.

4.1 Case Description

The obtained written material, observations and interviews have together provided a deep insight into the organizational activities at Swedol during a period of implementing a new strategic direction. Mapping out the company has made it possible to uncover the evolution of the path to current organizational strategies and follow the interplay between past and present growth and strategy related control issues, responses to these issues and the consequences of these responses.

The first section will be dedicated to the general background information of the company regarding previous events and the current situation. The following section presents the organizational structure and an introduction of the managerial levels and their subsequent responsibilities, which is work generalized from data collection (see section 3.4 in the methodological chapter). The third part presents themes of reason behind organizational strategy and changes in strategic direction, information generalized form the various units of respondents. The forth theme, describes how managers exercise control throughout the organization. Furthermore, it specifies how the units of respondents connect the reason between organizational practices, strategies and control. This connection can be described as means-ends link between the various categories. The last theme portrays how innovation is fostered within the case company and how the process is affected by control and strategy.

4.1.1 Presentation of Case Company

Swedol AB is a Swedish ironmongery company that from the start in 1963 has evolved from a wholesale warehouse into a professional store with experienced sellers. Today, Swedol AB has 47 stores whereof 6 stores are located in Norway, and about 500 employees. They have a product range of tools, work gear, vehicle accessories, consumables (like oil and fat, chemicals, hydraulics etc.), electrical goods etc. Swedol ABs’ business model focuses on business-to-business sales where the majority of the customers are small or medium sized companies (90%) and about 10% are consumers. Apart from many of their competitors, Swedol aims to offer their customers professionalism and advanced equipment at fair prices. In 2013, the company had a turnover of 1,4 billion SEK (0,17 billion USD). The same year, there was a change of CEO, which also has contributed to new ways of operating. The most visible changes have been rebranding and change of the stores interior, but the new CEO has also defined the companies four largest client segments: construction and plant, trucking and transportation, industry and workshop, agricultural and forestry and developed the logistics center in Örebro.
4.1.2 Business Growth Together With Insufficient Internal Development

Swedol opened its first store as late as 1999 and since then they have grown in a highly rapid pace opening several new stores in both Sweden and Norway. The company soon reached, or even passed the bifurcation point, where they were experiencing massive changes; but was not able to continue to stabilize the organization. Unfortunately, there were many aspects of the company that did not keep the pace of the expansion including systems, routines, leadership and internal development in general. This leading to a downward in sales, a declining margin, increasing inventory values and a new main distribution center that could not deliver as promised. All this culminated so the former president of the company was laid off and the new president was hired in August 2013. The new CEO describes the situation that the company was in when he started; “Simply put, Swedol had become a relatively large corporation that happened to be on the stock exchange, but they still ran it as a family business”

4.1.3 From a Scattered- to a Unified Organization

All the interviewed managers emphasized upon an unstructured organization as the main reason for change. As OM4 puts it: “If you have a really small sprout that is supposed to be a tree and then you then water it like crazy, it will grow straight up in the air, but there will also be many weak branches” and OM1 supports this statement by saying “We faced some sort of growing pain delirium and everything happened really fast. I mean, when I started we did not have any stores at all and all of the sudden we had 40 stores in Sweden and some in Norway in just a 10year period.”

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, Mkr</td>
<td>1379,6</td>
<td>1366,4</td>
<td>1284,4</td>
<td>1148,5</td>
<td>912,6</td>
</tr>
<tr>
<td>Operating Profit, Mkr</td>
<td>31,5</td>
<td>54,4</td>
<td>149,5</td>
<td>134,7</td>
<td>95,9</td>
</tr>
<tr>
<td>Revenue Growth, %</td>
<td>1,0</td>
<td>6,4</td>
<td>11,8</td>
<td>25,8</td>
<td>7,5</td>
</tr>
<tr>
<td>Gross Margin, %</td>
<td>36,1</td>
<td>38,0</td>
<td>38,9</td>
<td>37,3</td>
<td>37,3</td>
</tr>
<tr>
<td>Operating Margin, %</td>
<td>2,3</td>
<td>4,0</td>
<td>11,6</td>
<td>11,7</td>
<td>10,5</td>
</tr>
<tr>
<td>Solidity, %</td>
<td>57,4</td>
<td>54,2</td>
<td>64,7</td>
<td>66,1</td>
<td>65,9</td>
</tr>
<tr>
<td>Employees, Nr</td>
<td>517</td>
<td>485</td>
<td>408</td>
<td>345</td>
<td>305</td>
</tr>
<tr>
<td>Gross Investment, Mkr</td>
<td>12,1</td>
<td>149,8</td>
<td>83,5</td>
<td>33,0</td>
<td>15,8</td>
</tr>
<tr>
<td>Stores, Nr</td>
<td>47</td>
<td>46</td>
<td>40</td>
<td>33</td>
<td>29</td>
</tr>
</tbody>
</table>

Table 4.1 Five-Year Financial Summary - Adapted from Swedol Årsredovisning 2013

The “growing pain” that OM1 describes, can easily be seen when looking at some key financial figures over the last years. On one hand, Swedol has experienced an increase in revenue, number of stores and employees. Nevertheless, there has been a steady decline in several of the im-
important margins, which supports the statements above. It is of importance not only to look at revenue, but also on margins that reflect the internal state of the company.

The interviewed managers all mentioned that freedom has been a consistent concept at Swedol, which has created a minor chaos with such a large diversity between how the stores have been managed which also added to uncertainty and confusion. OM3 gave an example where he explained that not even the work wear were determined before, which resulted in his personnel all wearing different apparel. There was no real consistency, which confused the customers and was a clear indicator that the company lacked a set direction.

When the new CEO entered the company he was faced with the problem of inconsistency and a very scattered organization. The new CEO who previously had worked at competitors was familiar with Swedol and could therefore define its key resources. The sales personnel is very knowledgeable and professional, which is reflected in the new slogan “For those who do the work”, and that is something he wanted to build the new strategy upon. Immediately, they tried to set a new strategy for the company that was lacking a concrete strategic direction, he said; “We tried to define a strategy and a direction, which has not really been done before”. Whereby he started to do a competitor analysis based on costs and professionalism on each of the axes, were he found a gap; “We determined our position and then everything started”. A new strategy was formed, new core values were set and cuts of personnel were made. In the middle of the process the CEO explains that they realized that “it becomes difficult in terms of reliability without making something more radical and we decided to change the whole image of the company”.

The CEO explains that the aim with the new image was not just to show the customers that Swedol is making a fresh start after 50 years operation, but internal for the personnel “The employees will feel that this is something new, new colors, new logo. That this is the signal for a new start.” and to reach out with this massage a major kick-off took place with all 500 employees. When talking with the operational managers, few can say that they have felt incorporated in the formulation of the strategy. Nevertheless everyone is positive to the changes; they consider that they can have a dialogue with their middle manager if they experience that something is not working or elaborate their ideas with him. Although, they cannot really say how their requests are taken forward.

“We look at the customers differently today” says OM4, he explains that Swedol has become more focused on additional sales and to offer the customers what they did not now they needed. The new slogan: “For those who do the work” also reflect the position that Swedol has taken in the market. Everything has not been so easy though, the CEO explains that his largest challenge was to persuade the board of directors; he says that he needed to push the strategy forward. “We need to make a financial statement for the past 50 years and then we need to look forward. It was not easy to drive this, that we should implement a new image, but to me it was important both internally and externally”.

Today the company has made a strategic plan with a new mission, vision, business ideas and six main strategies that are divided into 117 activities that are clearly defining what should be done. After one year of operation they have looked back on these 117 activities and revised it to a number of 80. What also has been outlined in a four-step process where the four levels are represented in a systematic order; the second step cannot be started without finishing the first step.
The last step is to obtain the largest market share of the industry and to be able to work with innovation as no one else can.

The CEO explains that the strategy process and the core organizational values needed to be defined and implemented, which they choose to do simultaneously. “We pushed two parallel processes, which might seem odd. Both core values, which lead us to the new image, and our values, in the same time that we pushed the strategy process. Normally, you are supposed to go through a strategy process and when you know where you are and where you want to go you can start the next process. But we drove these two simultaneously, which has had a really good turn out. So it does not need to be one strategy process that need to end and then the next one can start, but they correlate. The core value project made impacts on strategy and vice versa.” When the new core values were outlined: simplicity, professionalism, passion and motivation, they could be followed in the later part of the implementation process as well as act as pillars to go back to when formulating new strategies. The new core values also made it possible for the top management to drive the business culture into a new direction that was needed to be able to work more efficiently.

Figure 4.1 Internal Management and Control - Adapted from Swedol Årsredovising 2013

Figure 4.1 concludes the strategic objectives and processes that occur in the organization today through internal management and control. It is a cyclical process without a beginning or an end where overlaps between strategy and core organizational values appear simultaneously.

### 4.2 Organizational Structure and the Managerial Roles

The change of strategy also resulted in a new organizational structure, new positions were appointed to represent the new segments and new middle managers were assigned as well. Furthermore, the CEO immediately started to implement rather liberal centralized approaches towards management and other instances of the organization.

The newly appointed CEO adopted a more centralized company structure with several new middle managers in order for the company to cope with its rapid growth in size. Introducing more managerial levels in an organization might seem unconventional but the CEO describes it
as such: “I would like to have fewer levels, but this was the only way we could make it work. I love flat organizations, but it is very hard to manage since you can not have 50 persons reporting to you on a daily basis”

Figure 4.2 Company Structure - Adapted From Swedol Årsredovising 2013

4.2.1 Top Management

Taking into account that the focus of this study concerns top management and those involved in sales, it solely includes the head of the sales department and the CEO, excluding the heads of the remaining departments, due to the vertical managerial approach of this report. Head of sales department, SM, has been in this position for one year but has worked within the company for four years. The current CEO of Swedol has been in the position since August 2013 and was previously employed as CEO at Monier Roofing AB and has also possessed managerial positions at ABB and Ahlsell.

The responsibilities of the SM include supervision of middle managers and to support and guide them when necessary. SM and CEO work closely together in the top management and strongly rely on the information obtained from middle managers in order to make accurate assessments regarding the situation. SM reports directly to the CEO and is perceived as a direct link between the CEO and all three of the middle managers.

The top management highlights the importance of frequent interpersonal interaction within the organization and would like to interact more with both middle- and operational management in order to improve their communication process.

4.2.2 Middle Management

The responsibility for the 46 stores has been allocated between three middle managers and the division is based on geographical location. There are now three regions: the northern region consists of 9 stores and covers an area extending from Uppsala to Haparanda. The middle region contains 15 stores while there are 17 stores in the south region.

A common characteristic for all of the interviewed managers is the relative newness to the position. The role of a middle manager has been appointed to them during the last quarter of 2014,
leading to an average employment length of 6 months for all involved. Their backgrounds are also similar and all of them have been promoted within the company from previous positions as operational managers. The length of time in that position before the promotion differs between one to 6 years.

The role of the middle manager includes responsibilities towards both operational- and top management. All interviewed managers described their downstream activities as supervising the progress of the stores in the regions appointed to them and assist with upcoming issues. MM2 puts a strong emphasis on ensuring the profitability of the stores and that the stores are performing on an expected level. Another manager, MM1, also mentioned the responsibility to reach the desired results and adds that it also includes the overall accountability for the subordinates. The duties of the middle managers also include the up-stream activities, which enable the top management to obtain the necessary insight in the lower levels of the organization.

The daily operations of the middle managers have been largely affected by the changes initiated by Swedol. The overall perception of the situation is positive and according to MM2 it has eased the job regarding the management of operational managers, as the insight to the sales numbers are now available to everyone. MM1 agrees that the changes have facilitated the work as a middle manager, adding that the reason behind this is the new strategy that has led to enabling the understanding of what is expected and where the company is going. According to MM1, this facilitates tracking of deviations from the strategy and goals and therefore allowing prioritization based on these parameters.

MM2 states that the expectations on the stores have increased due to the fact that there is a higher pressure to improve profitability and turnover. He explains the need to increase sales with large investments that have been made, adding that he now puts more pressure on the operational managers in his region. Another effect of the implemented changes is a more positive atmosphere in the work environment. A combination of the geographical division of the areas of responsibility and the restructuring of the company have led to an increased amount of travelling for certain middle managers. According to MM2, not all employees are open to the changes occurring, ending with: “But if you perceive this kind of change as negative, then Swedol is probably not the right workplace for you”.

4.2.3 Operational Management

Five operational managers at Swedol have been interviewed and their employment length varies. The timespan between the most recent appointed manager and the one that have obtained the position for the longest time is close to 13 years. OM5 and OM4 were involved in the development of their stores from the start, while the other managers overtook the management responsibilities from previous managers for various reasons.
The duties of an operational manager are described in a similar manner by all those interviewed. The general perception is that the main responsibility is the maintenance of the daily operations which include all the personnel related duties and reporting to higher managerial levels. OM2 put a strong emphasis on the responsibility to keep both customers and the store team satisfied to the highest degree possible. Another manager, OM5, states that the role of an operational manager requires working towards goals that are defined by the upper management. This statement is also supported by OM4 who adds that these goals are generally evident through the provided performance measurement systems that are used for reporting progress.

The operational managers that has been interviewed, all have different views regarding the degree to which their daily operations has been affected. According to OM2, the amount of duties has greatly increased leading a view that the job of an operational manager has become tougher. OM2 also states that this is mostly the case for the operational managers that are working in either small or new stores. The increased amount of responsibilities is explained with the fact that besides being a full-time seller, the amount of office related duties has increased. OM2 adds that there are now between 15-20 different systems that need attention and involves monthly reporting and continues: “There is no ending and we do not have the time”. OM4 agrees with OM2 regarding the fact that in the past the role as an operational manager primarily meant being a seller and today the responsibilities also include a large amount of administrative duties. However, OM4 does not perceive them to be a direct product of the changes that the company is currently undergoing.

OM3 agrees that the change has largely affected the daily operations, adding that it is due to the restructure of the store layout, introducing new products and the emergence of new routines regarding the purchasing of products. Swedol is undergoing a transformation from being a wholesaler warehouse with no customer service to becoming a chain of stores that gives more attention to its customers.

The effects on the daily operations are not perceived as significant by OM5 as by the rest of the operational managers, but still noticeable. A further reference is made to a problem that occurred in the past when due to a fast expansion the products where sold off too fast - resulting in empty shelves. Therefore, 500 products have been elected to be available in stores at any time. OM5 also mentions that the structure is now more top-down, resulting in activities being conducted in a predetermined manner.
According to the CEO, at present, the operational managers are more restricted in terms of the decision-making in certain issues. An increased focus on the obtainment of the products solely from the newly improved main distribution center has resulted in decreased freedom for operational managers of purchasing products themselves. CEO adds that this practice has not only decreased the workload for the managers, but is also beneficial for the company itself due to the fact that better terms have been negotiated by the purchasing department. There is now only one supplier of the products. Nevertheless, CEO states that operation managers still possess freedom to local adjustment, for example the regulation of the stock-value.

4.3 How Managers Exercise Control Throughout the Organization

As in all organizations, a certain level of control is exercised at Swedol, several managers express that there has been an increased amount of control in the recent two years. The organization has been very loosely coupled and therefore it was required to increase the level of control to be able to implement a new strategy successfully. SM recognizes that there exist a clear relationship between control and strategy: “The strategies describe where we are going and there is a need for control in order to get there, therefore it is of importance to measure the progress”. Moreover he argues: “It becomes more clear and everyone are aware in which direction we are going and what is required from them. Therefore it is easier to manage the organization because all we do is trying to live up to the strategies and check them off the list. It is control in a positive sense”.

4.3.1 Measurement of Performance

Swedol is composed of a top management that set objectives and monitor its progress, a middle management that is divided into three units depending on region; distributing information up- and downstream and lastly, the operational management, which is composed of all the local store managers that follow the objectives set from above. Tools that are used to measure performance are inherited in all three levels of the organization, including monitoring, budgeting and variance analysis. They are able to report variances and deviations and help the managers to take action where it is appropriate.

When a more centralized company structure was introduced by the initiative of the new CEO, more emphasis has been put on introducing effective tools of measurement. The CEO has been fostered with the beliefs of Percy Barnevik (previously CEO of the automation and power technology group ABB) that “What’s get measured gets done”. And the new CEO has truly adopted a numerous of measureable variables in order to get the company back on its feet, “before, Swedol did not measure anything else than the top-line, the result so to say, and not the turn-over. Which is insane”.

With the new CEO, cost control – not profit became the objective of the organization. So one of the first tools that he implemented was changing the way they measured financial progress. Before, it was solely based on sales and profit and now they look at the actual turnover and relevant ratios, making it easier to monitor costs and to create feasible budgets. As seen below, Swedol has had a steady increase in net income, but its operating margin, based on operating profit, has decreased radically. This is the type of deviations that the new measurement variables will detect and report immediately.
Moreover, when transferring the cost control approach to single stores, the operational managers started to look for ways to reduce their local costs as well. E.g. one manager cut costs when he noticed that their heating company was overcharging them, whilst another started to turn off the electricity at night and then realized that they were paying for the electricity of the store next door as well.

What then emerged was a tool that introduced command and control through a rather centralized top-down approach. Although, the organization does not consist of much devolution of control or processes aimed at supporting devolution. As long as the members of the organization follow direction and guidelines they are free to operate, as they believe suitable for their respective store. OM5 describes the current situation “I feel that I have a lot of freedom and trust invested in me to make my own decisions regarding my store and my employees”, but recognizes that there are more guidelines to be followed today.

The area of the company that is associated with the most metrics is the logistics department. The company has made a considerable large investment in their main distribution center making it crucial to have all inputs under control. This practice of measurement control is used to absorb change in different patterns and also modify its behavior. For a company operating in the retail industry, it is essential to have a tight control concerning inventories and supply chain management, something that did not work very well beforehand and had a large negative impact on the entire value chain. Today, there is a new head of logistics and several new performance tools have been introduced in the supply chain management to measure even the slightest alterations. As a result there is tighter control, faster deliveries, better delivery flow and foremost – more satisfied customers. “Today we offer the customers their products in a 24h our timeframe, before we could ensure a delivery within 5-7 days, which has been a major drawback for Swedol compared to its competitors” The CEO explains.
The company’s measurement tools are tightly based on annual objectives, broken down and monitored on a monthly basis. They are designed to capture attention and to create commitment throughout the organization towards the new strategic direction. These tools monitor achievement against set targets and other factors that are mostly financial but can also be non-financial in character as well, such as customer satisfaction and surveys about employee satisfaction.

Through the use of more systems that are used to create prognoses, cost control has been tightened, making it easier to track expenses and eliminate unnecessary costs. Both operational and middle managers believe that there was a need of more structure and clearly defined policies and they agree that these tools are making it easier for them to operate.

4.3.2 Information Flow

The information flows through the various levels of the organization on a central level both upstream and downstream, usually through the middle management that works as an intermediary of information flow. As SM says: “metrics and profitability is the foundation of everything, although people are required to accomplish them”. The flow of information generated by the employees is therefore evident in terms of seizing these metrics. Several tools are used as channels of information: e-mail, intranet, telecommunication and face-to-face meetings.

4.3.2.1 E-mails

Several tools are used to communicate progress and results. One of those tools is e-mail. OM3 expresses that a new policy has been implemented stating that e-mails need to be answered within 24 hours. All managers mention both pros and cons with this communication method. Mails are efficient and you can reach many people at the same time and you will also be able to target the right person. New instances have been appointed for example “shortage”, which is an e-mail address that you can send feedback to if something performing weakly.

OM4 defines what is difficult with mail correspondence; “it is insensitive and it excludes emotions and feelings and can therefore be misinterpreted”. He also mentions that it is too easy to forward the problem to someone else through mail. MM1 talks about how e-mail might filter some information, he would rather see that general information were published through another platform, for instance the intranet that Swedol has.

Moreover, some managers have experienced an information overload as a result from the extensive use of mail correspondence together with the policy to answer within 24 hours. When answering the question regarding the quantity of e-mails, OM1 brings forward that they are sometimes overloaded with e-mails and does not have the time to go through them all. OM2 support this opinion and suggests that the use of e-mails “could have been more restrictive”. MM2 elaborates further and agrees that there are too many e-mails being sent out and that the information could be solved more effectively. Furthermore, MM2 also tries to avoid giving feedback via mail since it could be improperly interpreted.

4.3.2.2 Intranet

The intranet is an internet-based information page that Swedol uses internally. It is mainly the top managers that can upload information on this platform. Many managers have declared that the intranet Swedol has could be improved. OM4 says “the intranet that we have today… I do not even
now what its’ functions are”. Whereby OM5 argues: “before we received weekly newsletters by mail, now the information comes sporadically… if the intranet is the basis for the newsletter I have missed it.”

CEO has one idea how one could easier spread general information throughout the whole organization through the intranet; “I would like to make videos where I can inform what is going on and what have been done the last week etc. and upload these on the intranet. Then everybody can log in and see it when they got time.”. The intranet could therefore also be used to distribute viral newsletter etc.

MM1 says “An intranet can be extremely efficient, it is a very underestimated tool. Unfortunately, 95% of the information is missing on our intranet… If I could change something it would be the information flow, we could improve our intranet a lot”. The CEO further explains the complexity regarding the intranet, that it is not only filters among the levels that are restraining the information flow. He would like to use some information more direct, which could make the information work in a more powerful manner “we cannot expose all information available since we are a listed company”. He says that he would like to incorporate the lower managers more and provide them with internally vulnerable, but helpful information, but it is not always possible since some information cannot be official until a set date because of the company’s listing on the stock exchange.

4.3.2.3 Telephone meetings

Telephone is a convenient way to communicate in this kind of company. It has become a tool where both smaller conversations are held as well as large conference meetings with more than two persons interacting. OM3 says that telephone is a good tool for him when he needs advice or just a chat with other managers. He means that it is sometimes needed to have these kinds of conversations to restock energy and he says that more work-related items are better to be taken through e-mail, or least always reconnect with e-mail. Telephone meetings are something that has increased in use at Swedol “Every second week we, all operational managers in the same region have a telephone meeting with our middle manager. We goes through a two-week summary and gets a chance to give him our thoughts on it and then be reconnect to us in the afternoon with feedback”.

The middle managers confirm that telecommunication is their main tool for interacting, since they manage people in large geographic areas that decrease the possibility for them to meet face-to-face. MM2 says “I am managing people from a distance, so to me the telephone is important… I cannot give feedback on something I cannot see physically. Those things I need to take when I am visiting the operational managers and sales personnel numbers and results are more black and white and easier to take on the phone.”

4.3.2.4 Face-to-face Meetings

Face-to-face communication is not widely integrated from a vertical perspective at Swedol. The middle managers are visiting the stores at least one time each quarter. “I am making more visits to the stores that are in larger need for that”, says MM1, who would like to double the number of visits. The CEO admits that he would like to make more face-to-face meetings and some stores have been visited by him more frequently since they are conveniently located.

OM4 discuss how he would rather see that Swedol employed more middle managers, and then the middle managers could make more visits. “A middle manager today is in charge for 9-17 stores, think about how many work days a month has? ... And they need to drive a lot to get to each store.” He believes that an increased number of managers would enable them to look further than on only the
hard facts. The CEO explains that incorporating more middle managers is a question of costs but he is aware that the sales manager also wants to employ more middle managers.

4.3.2.4.1 Project Management Groups

In terms of face-to-face meetings conducted through intra-hierarchal communication within the company, it is mostly composed from setting up different project management groups. This is a relatively new phenomenon within the organization that has enabled people and managers from all levels to meet, discuss and debate around the performance measures. This has created a platform for lifting up important information and related issues. Information and cues generated local and regional are during these meetings being distributed upwards in the organization and vice versa. Furthermore it has also made it possible to make an interactive use of accounting data, including decisions of how to actually control expenses, in a hope that it will contribute to future effectiveness.

One example of an active project management group including face-to-face interaction is the ‘product council’, where a large variety of managers meet and exchange information that they have gathered. As a result they can bring forward products that seem to fit the existing range of products.

4.3.2.5 Communication of Strategic Direction

To communicate the strategy, other elements have been implemented such as handbooks and manuals that clarify the core values and who Swedol is and what Swedol wants to become. These manuals have been discussed in meetings from top to bottom in the organization. The manuals include how customers should be perceived and how co-workers suppose to work together towards the new goals.

These have generally been appreciated by all managers and helped them to not just understand the new direction but to facilitate the every-day life since what is expected by each employee has become clearer. The use of these handbooks goes in line with the more centralized structure, this has contributed to a sense of affiliation and strengthen the core values.

4.3.3 Reconciling Strategic Activities

Introducing controls, metrics and various feedback systems is something that has to be followed up on a regular basis, which the CEO acknowledges and they are working on developing their own version of a balanced scorecard in order to reconcile their strategic activities.

"The closer you get to a process or a factory, the more metrics you will encounter and there is a tremendous amount of metrics at the main distribution center. Then we have sales, where there are a lot of ranking and metrics, just as in any other company. Now we have established the strategy process with a number of real KPI’s (key performance indicators). You can easily drown yourself with metrics as well, that we are developing on a quarterly basis now. We went all the way from mission, vision, business idea, business concept and activities to know what metrics we needed in order to know that were heading in the right direction. Then we tried to find as few as possible of them on a quarterly basis and reconcile. This is the first quarter and I hope it will be our kind of a balance scorecard".

"The closer you get to a process or a factory, the more metrics you will encounter and there is a tremendous amount of metrics at the main distribution center. Then we have sales, where there are a lot of ranking and metrics, just as in any other company. Now we have established the strategy process with a number of real KPI’s (key performance indicators). You can easily drown yourself with metrics as well, that we are developing on a quarterly basis now. We went all the way from mission, vision, business idea, business concept and activities to know what metrics we needed in order to know that were heading in the right direction. Then we tried to find as few as possible of them on a quarterly basis and reconcile. This is the first quarter and I hope it will be our kind of a balance scorecard".
4.4 The Freedom to be Innovative

The CEO mentions that he previously has been discussing whether it is possible to measure innovation and whether measurement systems might be inhibitory for the innovative process. He says that he is very open-minded to new ideas but it is a difficult task to improve the creativity and innovation in an organization like Swedol that functions as a retailer. He thinks innovation and creativity is something that needs to be improved and that he needs to support new ideas from lower managerial levels since they are the ones that meet the customers. One idea he elaborates upon is to create a suggestion box that may capture the good ideas that might pass him otherwise.

Swedol has under the years established their own suppliers that act as subsidiaries, brands such as Gesto (clothing), AmPro (tools) and Award (vehicle lightning) are some of them. The CEO would like to see more of operations like these and that this is a way to express innovation and leave room for creativity. Swedol has also acquired Nima, which is a company that sells agriculture- and forestry-equipment. Acquiring might also be a way to act more creatively, according to the CEO since you learn from the way the acquired companies operate.

OM3 mentions how he supports his employees to be more creative; “I am very open for new ideas, but then I expect that the idea has been thought through… You have to think that in the end your idea will generate money… There must be a reason to why this is a good idea”. OM4 says that he has the possibility to be creative but is uncertain whether some ideas might be allowed: “I am a little ambiguous to creativity, from a service perspective you have to be innovative. But if we should push Swedol forward as an efficient organization we need to standardize some things”. He argues that standardization and more control will eliminate some factors that can create irritation but also that the absence of control has created a more innovative environment. He believes that in the phase the company goes through right now one has to leave more space to structure than new ideas and when in a more stable phase leave more room for innovative processes.

Furthermore, SM sees optimistically on the current level of innovation within the organization even though more control is being exercised. He believes that they encourage innovation and creativity as long as it is supported by the company’s strategies and visions. He argues: “This does not lead to less innovation, innovation and creativity actually gets easier when you know in which direction you are going. A clear strategy inspires innovation”.
5 Analysis

In this chapter we are connecting our findings to the frame of reference and try to get a deeper understanding of our findings, we elaborate whether the findings connect to the previous made research or deviates. This part is necessary to be able to answer our research questions and draw connections between strategic renewal, management control systems and innovation.

5.1 Strategic Renewal

To be able to understand the strategic implementation process concerned with strategic renewal and how MCS are used in practice, we need to analyze how the company actually works towards renewal and why they decided to strategically renew themselves. However, first we need to determine whether the new strategy can be classified as renewal or strategic change.

Earlier we have discussed the difference between change and renewal; strategic change is a change of direction and can vary in its scale; more or less radical (Hofer & Schendel, 1978; Johnson et al. 2012). There is no question whether Swedol is undergoing a change in strategy; the change is thoroughgoing the entire organization. Nevertheless, renewal is considered to be an under-group of change where the focus is to refresh and renew (Agerwal & Helfat, 2009). This fits with what is happening in Swedol where the focus is to strengthen and improve, which demands changes but will not be radical. Hence, the objective with the new strategy is not to make a drastic shift, therefore Swedol’s change in strategy can be classified as of renewal sort.

Organizations never stop changing and evolving, due to several reasons (Volvberda, 1997). In the case of Swedol, the managers emphasize on the same factors: lack of consistency, scattered organization and increasing sales but a diminishing turnover. The company had reached a plateau and what they needed was structure and clear directions. Hence, the drivers for change were mainly internal but with an objective to have external effect. Baden-Fuller and Volvberda (1997) argues that there is a conflict between change and stability in all organizations. In Swedol change was demanded to reach stability and to become a larger and stronger key-player on the market. According to the managers they have had too much freedom, which has resulted in an organization that is not really functioning as an entity.

The CEO’s goal was not to change the company completely but to clearly define and strengthen it. He stated that he wanted the board of directors to understand that they needed to look forward and refreshment was needed. He did not want to replace the important parts of the company, instead he wanted to use Swedols strengths to turn around its weaknesses, which according to Agerwal and Helfat (2009) is called ambidexterity. Nevertheless, he is also changing the organizational structure by appointing new positions to facilitate the communication as well as be able to manage the newly defined segments. We can also see how he aims to change the mindset of the employees to cope with the new vision of the company, this is done through manuals and handbooks that are handed-out to everyone. Agerwal and Helfat (2009) would classify these factors as discontinuous strategic transformations.
5.1.1 Formulation and Implementation

The newly appointed CEO was ambitious and willing to make large investments to be able to change the negative trend in development. Grant (2013) envisions the importance of competition analysis and vision and mission statements in the strategy. The CEO also felt that this was important to formulate; he determined Swedol’s new approach by a competitor analysis in order to understand the market and find a position for Swedol in it where they would be able to compete. Langfield-Smith (1997) explains that the implementation process is followed after the strategy formulation, Swedol’s CEO worked another way where he formulated core values along with the strategy implementation process, since from experience, he believed that these two could work efficient simultaneously and result in the saving of both time and financial resources. Hence, along the way of renewal he defined new core values: simplicity, professionalism, passion and motivation. These values are reflected in each and every strategic decision, in customer service as well as how the employees work together. The CEO argues that these have been supporting pillars during the implementation process. Grant (2013) suggests that strategy should make a fit between business activities and the external environment and in these core values Swedol accomplishes this fit. The core values also reflect Swedol’s competitive advantage; the CEO tells that Swedol has customer relationships that are really strong thanks to the employees’ product knowledge.

Moreover, the CEO defined the company’s customer segments, which previously has been rather unclear and diffuse. To be able to guide a strategic direction it was important for him to understand what kind of company Swedol is in terms of resources and what he could work with. Since he earlier had been working at Ahlsell, who is one of the competitors, he also knew how Swedol was perceived from an external perspective.

With much sorted out he discovered how these internal changes needed to become more tangible and visible for all of the company’s stakeholders. Introduction of a new brand, change of the stores look, a new webpage etc. would drag the customers attention to Swedol and improve sales. He did also want to include his personnel in the process and really make it official to them so that they could feel and see that Swedol is taking new stands, this was obtained through the Kick-off. With these methods it was possible to launch the new strategies and to make the employees feel incorporated as well as give them an understanding of why, what and how the strategy will be implemented. Hence, by this he can get everybody to work in the same direction. Nevertheless, few of the operational managers felt included in the strategy formation process, from their perspective the strategy has been implemented in a top-down manner and that this is also a result of a more centralized management approach. However, this is not seen as an obstacle for the managers at lower levels, since this actually facilitates their daily operations.

The Contemporary Strategy Analysis (Figure 2.1 by Grant, 2013) summarizes these activities towards a successful strategy. The current CEO of Swedol has (1) Outlined simple and consistent long-term goals through the core values (2) Analyzed the market and defined competitors as well as the customers (3) Defined Swedol’s strengths and weaknesses. However, the CEO did this along the implementation process, since in this way he could reduce uncertainties. Thus the model is modified as such as Swedol uses a method that looks both back and forwards.
5.1.2 Intended and Emergent Strategies

In the case company, 116 strategy objectives were outlined from 6 main strategies. These can be identified as the company’s intended strategies (Mintzberg, 1994). Little is known of these objectives, more than their revision to a number of 80 objectives. The reason for the revision may be that the strategies have been implemented successfully or disused due to their inconvenience. The objectives on the list can also have changed due to several factors that have showed that the intended strategies will not work as envisioned, hence the revised list may after some time also include emergent strategies (Mintzberg, 1994).

The strategy objectives are also based on a four-step process that the CEO has outlined. The intention of these four-steps is to show how the strategies should systematically be implemented. The CEO also talks about how he wants to test the new strategies before he can promise the customers anything. This shows an awareness of emergent strategies or new opportunities that may put new lights on the objective.

5.2 Management Control Systems

The findings from the interviews and observations indicates that the implementation of MCS can often be a result of an organizational change or an imbalance, such as expanding operations by opening new stores and increasing the number employees whereas margins are steadily declining. Consequently, the rapid growth of the company seems to correlate with the emergent demand for an organization with more formalized control functions. Many of the managers in the organization have experienced that there is more control being exercised along with a more centralized structure and simply put, a tighter organization as a whole. Several of the processes that have been implemented show a clear relationship with the MCS theories enlightened in the frame of reference.

Robert Simons (1995) defined management control systems as “The formal, information-based routines and procedures used by managers to maintain or alter patterns in organizational activities” (p. 5). The findings of the present study seem to be consistent with this view of MCS since the managers of the organization have highlighted the various formal activities that have been implemented recently in order to alter the company’s strategic direction. The activities are being developed and evaluated continually in order to cope with changes. Moreover, the findings are also in agreement with the research conducted by Anthony and Govindarajan (2007), which include a range of variables in their definition of MCS such as organizational structure, the management of human resources and particular management and culture control. They also elaborate on activities that are concerned with management control including planning, communicating, coordinating, deciding, evaluating and influencing. The case study found that the company continuously communicate and revise their objectives and management control throughout the entire organization. In addition, to enhance the managers understanding and further influence their behavior, some of the managers have been involved in project management groups where they are able to evaluate current controls and be a part of establishing new ones.

Although this paper is concerned with the ‘hard’ factors of strategic renewal and management control, the existence of ‘soft’, more cognitive factors is inevitable to ignore since they are effecting as well and the ‘hard’ and ‘soft’ factors co-exist and interrelate throughout the organization.
Hence there cannot be one without the other. Today, the concept of MCS goes beyond just accounting control; it includes the processes of controlling managers’ behavior (Puxty, 1989) and also the influence of it (Flasholt et. al, 1985). Therefore, there is more to the numbers and metrics foremost described in the empirical part of this thesis, they are furthermore aimed at encouraging organizational learning and to form company culture. The company culture and its core values that it represents have always been present, like in all organizations, but it occurs that it has not been very well defined. By changing, influencing and encouraging a new company culture it has contributed to set clear core values concerned “who we are, what we want, what we do”.

5.2.1 Diagnostic Control Systems

In recent years, Swedol has established a strong company culture but they also use a large amount of more specific and detailed performance measurement systems in order to further enhance management control. When conducting interviews and examining the organization it is apparent that the company nowadays rely heavily on diagnostic management control systems. The current state of the case company goes well in hand with Simons’ (1995) definition of diagnostic MCS; that they monitor and optimizes the organizational outcomes and objectives and is therefore vital when implementing intended strategies.

The interviewees express the significance of working with a more centralized structure and several new performance measurement systems in order to create an unified organization and underlines that it does not make them more restrained in their daily operations. Additionally, one of the main reasons the managers mention for introducing more diagnostic control in this organization is because the operational work was insufficiently formalized and a more direction and control was necessary without creating any diffusion regarding managerial complexity. The reason was rather to reduce the managerial complexity and ambiguity within the organization.

A very clear structure has been designed to work within the organization and it is very thorough when it comes to measuring performance. The diagnostic MCS that was first implemented and also the most evident is the focus on cost-control as the main approach to measure profit, track expenses and forecast budgets. This goes in line with Simons (1995) theory that states that the most pervasive diagnostic control systems in business firms are profit plan and budgets. Furthermore, apart from changing the way they view profitability, cost control also enables an elaborate the establishment of a more detailed one-year financial plan that then it is broken down into monthly objectives for the various units. There are also indirect effects of this diagnostic tool inherited in the organization, it enabled the operational managers to review the operating costs of their stores and they managed to do some savings as well.

Apart from cost-control there are other variables and metrics, both financial and non-financial that are being measured in order to detect vulnerabilities in the systems and report them instantly. There exist a large amount of diagnostic control systems in processes concerned with their main distribution center and the CEO has stressed the importance for having all inputs monitored under tight control.

In recent years, Swedol has realized that it is not enough just to be able to change their focus in accordance with their external environment, it is also required that they respond fast to changes
is their internal environment as well. Beforehand, the company performed relatively well on paper but their internal processes were suffering, something that the usage of diagnostic MCS has improved, since the variables report even the slightest alterations in output. Simons (1995), refers to these variables as critical performance variables and they can be identified though analyzing the organizations intended strategies and its associated goals. A way in which the company works diagnostically with identifying and analyzing its critical performance variables is through the introduction of project management groups. This is a diagnostic tool that revolves around feedback and follow-up in order to implement their intended strategies by providing motivation and direction for doing so. A company’s critical performance variables can be somewhat hard to identify and therefore the company uses these project management to do so. At Swedol these groups are mainly concerned with product pricing, quality and introduction, logistics and foremost customer service and satisfaction. Although, the metrics these groups are concerned with are diagnostic tools, most of the decisions are drawn for discussions on an interactive basis. Hence, in these groups we can see an interrelationship between interactive and diagnostic control systems.

Another aspect of diagnostic MCS is the tightness of control and the top managements’ involvement. Lövstål (2008) argues that in diagnostic control, subordinates are left alone as long as targets are met. Lövstål’s theory is applicable to the case study of Swedol, all of the operational managers that have been interviewed agree that they are free to operate as they believe suitable as long as they follow the objectives set from above. This leading to less top management involvement in the units that work in accordance to the diagnostic MCS and more intervention in those who are not able to do so. Moreover, the instruments inherited in the company’s diagnostic MCS provide information in a rather condensed form, which consequently results in less involvement from top management in operational details.

At last, what appears to be working in this organization is management by exception. Nowadays, they adopt different controls in a systematic manner and alter or exclude the ones that become irrelevant. This approach is not in agreement with the research conducted by Ismail (2013) that suggests that there in no impact between diagnostic MCS and emergent strategy. Whereas Swedol uses diagnostic control both for implementing their intended strategies and also to promote the formation of emergent ones.

5.2.2 Interactive Control Systems

An examination of Swedol’s interactive communication tools shows that the company is using face-to-face meeting, kick offs, email, telephone conversations and a company system called intranet. Nevertheless, all interactive communication tools cannot be considered to be interactive control systems due to the limited connection to the required characteristics. The interactive control system revolves around the personal involvement of managers in the strategic development of the company. These systems motivate the gathering of the information outside of routine channels and face-to-face meetings are required for the discussion of the acquired data (Simons, 1995).

An interactive control system is based on a specific diagnostic control system that the top management wishes to use interactively. Taking into considerations the characteristics of interactive
control systems that were provided by Simons (1995), it is evident that Swedol is merely using solely one control system interactively. The existence of project management groups enables face-to-face meetings between all managers of the organization and the system that is used interactively is cost-control. It enables the company to measure profit, track expenses and forecast budgets and generates the discussion of this data. This generates in the question of what has changed and why, signaling an interactive control system. It also fulfills the critical condition specified by Simons (1995), according to which a control system can be used interactively only if it gathers and produces information that is associated with the effects of strategic uncertainties on the strategy. As this system is not used on regular bases it opposes Simon’s definition of the term “interactive control system”. However, the regularity of the meetings and the way in which they are conducted can be questioned due to the size of the company and today’s technology.

As previously mentioned, a company can freely decide which diagnostic control system to use interactively depending on the area which they believe require more attention. Therefore, it is evident that Swedol has chosen to focus on cost-control due to the need to control the expenses that are connected to the implementation of the renewal. After the transition the cost-control might receive less attention, meaning that another diagnostic system will be used interactively depending on the area of uncertainty.

Not all project management groups can be perceived as interactive control systems due to the nature of their content. For example, Swedol’s “product council” group can on the first view be interpreted as an interactive control system due to the face-to-face interaction where a discussion regarding the introduction of new products takes place. However, in order for the “product council” group to be considered as interactive control system the analysis of appropriate products is not sufficient. Instead, it must include a debate concerning the discrepancy between the expected sold amounts of products and the actual results due to a will to understand the reasons behind the difference. This would enable the identification of strategic uncertainties that in this case could be shifts in customer preferences, leading to a re-thinking of strategy.

To focus on solely one interactive control system is more widespread, which is also the case in Swedol. Since they use very few interactive control systems it indicates that top management has a clear strategic vision and is avoiding the information overload that is possible if using several management control systems interactively (Simons, 1995). However, the CEO puts an emphasis on the economic consequences that multiple interactive control systems would impose. Since these systems demand a constant attention throughout the company it would mean a diversion of attention from other activities. Also, their decision to focus on merely one interactive control system shows that the top management does not perceive their current situation as critical, but rather stable (Simons, 1995).

In the case of Swedol, the overall strategic course and the decision making process is set by top management and communicated down through the company. This suggests that the level of the delegation is limited and an explanation can be seen in an already defined strategic direction of the company where the important variables have already been identified. Therefore, since Swedol is currently undergoing a strategic renewal, the focus is on its implementation and not on the determination of the new strategies – resulting in a stronger emphasis on the diagnostic control sys-
tems. This goes along with the statement of Simons (1995), according to whom the interactive control system is used primarily in order to track new ideas, potentially leading to strategic renewal.

Regardless of the different objectives of these systems, Swedol has recognized the importance of both even in the state of renewal. A complete focus on the implementation of the strategy and therefore diagnostic control systems, can potentially lead to a failure to detect errors associated with the strategic alteration that a company has adopted. Certain decisions that are perceived to be beneficial for the process might instead hamper the strategic renewal. The lack of interactive control system will therefore result in unidentified alterations that could have been adopted in order to improve the process of the strategic implementation. Furthermore, a limited usage of the interactive control system can aggravate the observation of strategic uncertainties that surround the company. Their existence is evident regardless of company’s strategic status. Therefore, the negligence of the strategic uncertainties can have an impact on the necessary changes that a company that goes through strategic renewal needs to take into consideration and potentially make alterations.

By analyzing interactive control systems it can be evident that certain characteristics may not be applicable anymore due to the advanced technology that we encounter today. A strong emphasis on face-to-face meeting can be debated due to the geographical distance and the size of companies, which decreases the possibility of regular interaction, as in the case of Swedol. A traditional definition of interactive control systems is more applicable when it involves managers on the horizontal level due to their geographical closeness. Since the focus of this study is the vertical approach there have been identified difficulties regarding the interactive control systems. This suggests that the definition of this term could benefit from an extension and also include other interactive means. An example can be seen in the telephone and Internet based conferences, which are currently do not fit into the definition of interactive control systems provided by Simons. The positive effect of this can be seen in a cost reduction, however it can also result in a difficulty to process a large information that becomes available and resulting in information overload. Nevertheless, the technological progress can enable top managers to create an environment where the subordinates are comfortable and do not feel threatened. In the case of Swedol, a further development and alterations in the usage of the online interactive system the intranet can create an environment where new ideas are being generated.

5.2.3 Balanced Scorecard

Apart from viewing management control as either a diagnostic or an interactive one it is also of importance to analyze how they might be combined within an organization. Mooraj, et al., (1999) suggests that all levers of control should have their very own place within an organization and a balanced scorecard could demonstrate the combinations among them. This is also something that the CEO has begun working on in order to enable the analysis of their critical performance variables diagnostically and also to unravel uncertainties interactively. The manner in which they plan to use their balanced scorecard is in accordance with Anthony and Govindarajan (2007) definition of the scorecard as a performance measurement system with the objective to implement strategy.
With all the newly appointed strategies and MCS, employing a balanced scorecard is also a means for reducing the quantity of metrics since they can create an overload. In order to downsize the number of metrics to as few as possible, the CEO has examined the company’s activities and core values- both internal and external. This is something that agrees with the research conducted by Kaplan and Norton (1992) where they found that the balanced scorecard enables a more systematic analysis of a company's critical performance variables and other measures associated with their intended strategies. Keeping down the amount of metrics and analyzing operations in a systematic manner will facilitate the evaluation and reconciliation on a quarterly basis. According to Kaplan and Norton (1996), a successful balanced scorecard should be applied in an interactive manner, therefore it is of importance that the company manages to use their scorecard interactively and not just as a diagnostic control.

5.3 Innovation

Previous research suggests that management control hinders innovation and creativity (Johannisson and Lövstål 1995), the CEO is in agreement with Kanter's (1985) and Simons' (1994) believes that it is not. When asking the other managers we received different answers in this question; OM3 tries to be innovative but always considering the outcomes, OM4 says it is not really the right time to be creative. Hence, we can see that the innovation varies in accordance to Seeligs' (2012) believes; that innovation is based on an individual level. Nevertheless we can see the new strategy as something that is innovative, where the company is not trying to do something that has not been done before but that a new mindset should stimulate the innovation process and push the company to the right direction. In accordance to Drazin and Schoonhoven (1996) the top managements’ behavior will affect the level of creativity of the managers at other levels. In the case of Swedol, no one had experienced a decrease in tolerance regarding innovation, instead the renewal process can be seen as innovative in itself and that support the statements made in previous research.

Freedom might both foster and hinder new ideas as well as restrictions may force one to think “outside the box” (Seelig, 2012). Earlier Swedol has been using a management approach that has allowed much freedom, in that sense managers have been allowed to work more creatively but maybe without any set goal or direction. Today the new CEO wants to measure more results and to push his managers to meet these goals; creative ideas might help you to obtain these goals according to OM3 even if it seems to be unclear how creative one is allowed to be with the new directions.

Nevertheless, Swedol can be seen as an innovative corporation; they have extended their supply chain by introducing subsidiaries that act as an extension to their established supply chain, which is both innovative and cost efficient since it reduce the number of intermediaries. Apart from these aspects, there is not much focus on innovation in the phase that Swedol is in now. In the future the CEO would like to see another trend and work more with innovation but the first goal is to become a stable key-player in the market and to experience an improvement in the operating profit. He would also like to measure innovation, without really knowing at the time how this can be done.
6 Conclusion

In this chapter we present the conclusions of this study and demonstrate the answers to the research questions and further discuss how well the authors have been able to accomplish the aim outlines in the purpose.

Our aim with this thesis was to expand the general understanding regarding the interrelationship between strategic renewal and management control systems. Also, to further uncover the correlation between diagnostic and interactive MCS in large organizations today. We believe that this purpose has been successfully achieved and therefore the answers to the indented research questions will be followed below.

Why do large organizations implement interactive and diagnostic management control systems in order to drive strategic renewal?
Our findings suggest that internal company operations might not always be in phase with external company growth causing inconsistency. In such a critical state, introducing company structure and control functions are required. MCS that are of diagnostic and interactive character facilitates the structuring of internal processes and henceforth, lays the foundation for renewing strategies.

How do MCS interrelate with each other and with strategy in large companies today?
Our findings suggest that strategic renewal through MCS is not a linear process, which was the perception from studying previous research. The case study implies that it is an on-going cyclical process where a balance between diagnostic- and interactive- MCS must be found in order to drive strategic renewal successfully. Hence, we have developed a model for these variables in figure 6.1. When implementing a strategy, it is easy to merely focus on diagnostic MCS, however an inadequate use of interactive MCS can have fatal effects.

In addition, neglecting the interrelation between diagnostic and interactive control systems in the process of strategic renewal can result in potentially overlooking necessary alterations for successful renewal. Adopting a company adjusted balanced scorecard can be a measure of how the implemented MCS perform and interrelate.

We believe that more MCS should be able to have an interactive function and our research suggest that the model developed by Simons (1995; 2000) might be somewhat outdated due to the technological advances that has occurred during the last decades. Due to size, complexity and the geographical disparity the expansion of the current interactive control systems must occur. Allowing more controls to be interactive in character would also increase the possibility of interrelationship, which we found crucial for a successful implementation of strategic renewal.
What are the consequences in terms of innovation from adopting MCS during periods of internal company renewal?

Since our findings suggest that renewal is a cyclical process, with no end or beginning, the same concept apply to the innovation process. Moreover innovation can actually support the process of strategy implementation through MCS. Hence, we do not agree with Johannisson and Lövstäl’s (1995) suggestions that the innovative process should be separated from control. We found that innovation and control fosters strategic renewal and should therefore be incorporated simultaneously and not separated.

Figure 6.1 Our Overall Proposition
7 Discussion

In the final chapter, the authors will outline thoughts that have not been incorporated in any other section, however still of importance. Moreover, some new issues that were revealed during the progress of the study will be described and presented as suggestions for future research.

During the writing of this thesis, we have expanded our existent knowledge and gained additional expertise within the topic of strategy and control. However, we have recognized certain limitations with our study and also acknowledged that this field requires further in-depth research to cover the remaining gaps. Despite the limitations, we consider our findings to be accurate and valuable. It will furthermore facilitate the understanding of the interaction between the implementation of MCS and a successful strategic renewal process in organizations. Also, it creates a solid ground for future research.

Prior to writing this thesis, we expected our findings to be similar to the assumptions of MCS and strategic renewal derived from previous research. To some extent, this has been fulfilled although we have broaden our perception of these variables and gained extensive knowledge within the field that cannot directly be related to our research questions. Our focus has been the non-cognitive attributes concerned with management control and strategy, when collecting our empirical findings it was difficult to separate the cognitive and non-cognitive attributes since we found that they are both naturally inherited in an organization, for instance, strategic renewal is difficult to implement without changing the business culture and/or the mindset of the employees.

A large fraction of our study has relied on the levers of control framework developed by Simons (1994), when reviewing different controls and trying to determine their nature in character, we found that in some cases this framework is outdated due to technological advances. This is the most applicable when dealing with interactive control systems. We believe that new technology such as; video- and phone-conferences and e-mail group conversations to some extent, can be regarded as interactive tools. By allowing more communication tools to be classified as having an interactive function would enlighten new technologies as appropriate tools to use when exercising control and enabling companies to use them interactively.

7.1 Contributions

Apart from providing the field of research with more support and empirical evidence, we have presented a new model that suggest that strategy, renewal and control is a cyclical process without a beginning or an end with all activities occurring simultaneously. This model indicates that strategic renewal through control systems is not a linear process, which was our general perception after reviewing precious research in the field. We believe that this can be a valuable and accurate contribution since the external business environment is ever changing and to be able to cope with that, the internal environment needs to take a similar approach.
Moreover, our findings feature another view on company-based innovation and creativity in relation to control and strategy. We suggest that tightening the control does not hinder innovation; it only guides the organization towards the right direction. In fact, control fosters innovations that in turn also fosters new ideas and enhance creativity. We consider innovation as vital in today’s business landscape, to be able to foster new ideas and create a platform for sharing ideas throughout the organization. Without generating ideas internally that are concerned with strategies, it is impossible to implement the appropriate MCS in order to drive strategic renewal.

7.2 Limitations

Even if we consider our contributions to be adequate and valuable in accordance to previous research and the case study, there are however certain limitations that have to be brought to surface. The limitations are essential to recognize due to their potential weakening effect on the study.

Firstly, the study relies on a single Swedish case company and although we believe that it is applicable to companies with a similar organizational structure, it may not be relevant when viewing companies that are different in nature. Moreover, there are other factors than organizational structure that might make it less suitable such as culture, values, emotions, attitudes, relationships and social dynamics i.e. cognitive attributes.

However it was a deliberate decision to exclude the cognitive factors when conducting this study, since we are merely focusing on the feedback measurement systems, i.e. the diagnostic and interactive MCS. Therefore excluding the belief and boundary systems.

Another limitation is the absolute focus on the process of implementation and therefore not concerning the actual outcomes. Furthermore the study investigates how MCS are implemented in a vertical manner and might therefore not be applicable from a horizontal perspective of organizational structure. Also, in our study we focus on the different managerial levels concerned with sales. Still there are other parts of the organization that also exercise control and are just as affected by strategy.

7.3 Future Research

For future research, we suggest to conduct additional case studies in a more extensive approach covering entire companies that are diverse in nature. Due to the focus of our study being solely on the implementation of strategic renewal through MCS we believe that further research should take the actual result of the implementation into the consideration. Furthermore, incorporate the remaining MCS in order to get an overall picture with the result to create a more universal, widespread framework that can be applied to various companies.
8 References


9 Appendices

9.1 Appendix 1 – Interviews

The structure of the interviews will be open-ended and the questions and their order will be asked both according to the context as well as the flow of the conversation itself.

9.1.1 Interview Questions for Operational Management

Kort presentation om vår studie

Vad vi vill ta reda på idag är de bakomliggande faktorerna som driver den pågående företagsförnyelsen som ni går igenom just nu och hur förändringen genomförs. Våra huvudområden i vår studie handlar om förnyelse, strategi, kontroll, kommunikation och entreprenörskap och vårt mål är att se hur dessa relaterar till varandra i verkligheten. Du och dina svar kommer att vara anonyma.

Short presentation of our study

We would like to examine the underlying factors driving the on-going company renewal and how the renewal is implemented. The main area of our study are renewal, strategy, control, communication and entrepreneurship and our aim is to see how these are correlated in reality. You and your answers will remain anonymous.

1. Öppningsfråga/ Opening question

- Kan Ni beskriva Er officiella roll i företaget?
  Can you describe your official role within the company?

2. Förnyelse och Strategi/ Renewal and strategy

- Kan Ni identifiera och berätta om förnyelseprocessen som företaget genomför just nu?
  Can you identify and describe the process of renewal that the company is implementing?
- Hur uppfattar Ni de bakomliggande faktorerna samt målen med förnyelsen?
  How do you perceive the underlying factors and aims of the renewal?
- I vilken utsträckning påverkar det Er vardag på företaget?
  To what extent does it affect your daily operations at work?

3. Kontroll/Control

- På vilket sätt känner Ni Er delaktig i besluten som fattas?
  To what extent do you feel involved in the decision-making process?
- Berätta om en gång Ni har haft en idé och den har kommit till bruk
  Tell about a time when you had an idea that came to use
- Berätta hur Ni ger och får feedback till och från ledningen samt hur Ni belönas vid uppnådda mål
  How do you give and receive feedback with upper management and how are you rewarded when you reach objectives?
- Berätta om Er frihet och Era restriktioner från ledningen
  Describe the freedom and restrictions that are given from upper management
4. Kommunikation/Communication

- Identifiera vilka verktyg Ni använder för att kommunicera inom företaget
  Identify the different tools used to communicate throughout the company

5. Slutfråga/Ending question

- Om Ni var VD för företaget vad hade velat förbättra inom organisationen?
  If you were the company’s CEO, what would you like to improve internally?

9.1.2 Interview Questions for Middle Management

Kort presentation om vår studie

Vad vi vill ta reda på idag är de bakomliggande faktorerna som driver den pågående företagsförnyelsen som ni går igenom just nu och hur förändringen genomförs. Våra huvudområden i vår studie handlar om förnyelse, strategi, kontroll, kommunikation och entreprenörskap och vårt mål är att se hur dessa relaterar till varandra i verkligheten. Du och dina svar kommer att vara anonyma.

Short presentation of our study

We would like to examine the underlying factors driving the ongoing company renewal and how the renewal is implemented. The main area of are study are renewal, strategy, control, communication and entrepreneurship and our aim is to see bow these are correlated in reality. You and your answers will remain anonymous.

1. Öppningsfråga/ Opening question

- Kan Ni beskriva Er officiella roll i företaget?
  Can you describe your official role within the company?

2. Förnyelse and Strategi/ Renewal and strategy

- Kan Ni identifiera och berätta om förnyelseprocessen som företaget genomför just nu?
  Can you identify and describe the process of renewal that the company is implementing?
- Hur uppfattar Ni de bakomliggande faktorerna samt målen med förnyelsen?
  How do you perceive the underlying factors and aims of the renewal?
- I vilken utsträckning påverkar det Er vardag på företaget?
  To what extent does it affect your daily operations at work?

3. Kontroll/Control

- På vilket sätt känner Ni Er delaktig i besluten som fattas?
  To what extent do you feel involved in the decision-making process?
- Berätta om en gång Ni har haft en idé och den har kommit till bruk
  Tell about a time when you had an idea that came to use
- Berätta om hur feedback distribueras inom företaget samt hur Ni belönas/belönar vid uppnådda mål
How is feedback distributed throughout the company and how do you reward/get rewarded when objectives are reached?

• Berätta om Er frihet och Era restriktioner från ledningen
Describe the freedom and restrictions that are given from upper management

4. Kommunikation/Communication

• Identifiera vilka verktyg Ni använder för att kommunicera inom företaget, bade uppåt och nedåt
Identify the different tools used to communicate throughout the company, both upwards and downwards

5. Slutfråga/Ending question

• Om Ni var VD för företaget vad hade velat förbättra inom organisationen?
If you were the company’s CEO, what would you like to improve internally?

9.1.3 Interview Questions for Top Management

Kort presentation om vår studie

Vad vi vill ta reda på idag är de bakomliggande faktorerna som driver den pågående företagsförnyelsen som ni går igenom just nu och hur förändringen genomförs. Våra huvudområden i vår studie handlar om förnyelse, strategi, kontroll, kommunikation och entreprenörskap och vårt mål är att se hur dessa relaterar till varandra i verkligheten. Du och dina svar kommer att vara anonyma.

Short presentation of our study

We would like to examine the underlying factors driving the on-going company renewal and how the renewal is implemented. The main area of are study are renewal, strategy, control, communication and entrepreneurship and our aim is to see how these are correlated in reality. You and your answers will remain anonymous.

1. Öppningsfråga/ Opening question

• Kan Ni beskriva Er officiella roll i företaget?
Can you describe your official role within the company?

2. Förnyelse and Strategi/ Renewal and strategy

• Kan Ni identifiera och berätta om förnyelseprocessen som företaget genomför just nu?
Can you identify and describe the process of renewal that the company is implementing?
• Hur uppfattar Ni de bakomliggande faktorerna samt målen med förnyelsen?
How do you perceive the underlying factors and aims of the renewal?
• I vilken utsträckning påverkar det Er vardag på företaget?
To what extent does it affect your daily operations at work?

3. Kontroll/Control

• På vilket sätt inkluderar Ni andra managers i besluten Ni fattar?
Identify how you include other managers in your decisions
• Berätta om hur ni arbetar för implementera idéer som kommer underifrån
Tell about how you work to implement ideas coming from below
• Berätta om hur feedback distribueras inom företaget samt hur Ni belönar vid uppnådda mål

How is feedback distributed throughout the company and how do you reward other managers when objectives are reached?

• Berätta om era anställdas frihet respektive restriktioner

Describe the freedom and restrictions that your employees are concerned with

4. Kommunikation/Communication

• Identifiera vilka verktyg Ni använder för att kommunicera inom företaget

Identify the different tools used to communicate throughout the company

5. Slutfråga/Ending question

• Vad anser Ni vara de mest kritiska punkterna att ta tag i gällande företaget just nu?

What do believe to be the most critical points to deal with concerning the company at the moment?

9.2 Appendix 2 – Emails

When selecting a sample we sent out following information to the managers.

9.2.1 Operational Managers

Hejsan,

Jag heter Linnea och jag läser min sista termin på Jönköpings handelshögskola och jag tillsammans med två klasskompisar skriver just nu på vårt examensarbete. I vårt examensarbete så använder vi Swedol i vår fältstudie och vi genomför därför just nu intervjuer. Dessa intervjuer kommer göras på butikschefer, regionschefer samt på Er VD, Klein Ullenvik och försäljningschef Magnus Lyckman.

Intervjun tar cirka 30-45 minuter och Ni kommer att vara anonyma i vårt arbete. Eftersom att vi är baserade i Jönköping är vår mobilitet delvis begränsad och därför kan vi enbart besöka några.

Vad vi vill ta reda på genom intervjuerna är bland annat de bakomliggande faktorerna som driver den pågående förändringen som företaget genomgår just nu samt hur förändringen genomförs. Våra huvudområden inom vår studie handlar om förändring, strategi, kontroll, kommunikation och innovation och vårt mål är att se hur dessa relaterar till varandra i verkligheten.

Det optimala för oss är om vi kan anordna dessa intervjuer innan den 13e April då vi ska besöka huvudkontoret, om ni vill ställa upp på en intervju så skriv gärna förslag på tider då vi antingen kan komma till er.

Med vänlig hälsning, Linnea Wiberg

Hello,
My name is Linnea and I am studying my last semester in Jönköping International Business School, me and my two class colleagues are right now writing our thesis. We are basing our case study on Swedol and are therefore conducting interviews right now. These interviews will be made on operational managers, region managers and the top Management; Clein Ullenvik and Magnus Lyckman.

The interview takes about 30-45 minutes and you will be anonymous in our thesis. Since we are based in Jönköping our mobility are partly limited, hence we can only make visits to some of you.

What we would like to discuss with you is the factors that drive the renewal in Swedol and how the renewal is implemented. Our head subjects in the thesis are; renewal, strategy, control, communication and innovation and our goal is to investigate how these relate to each other in reality.

The most appropriate to us is if we can make these interviews before the 13rd of April since we are making a visit to the head office then. If you would like to participate, send back date and time proposal for us to come and visit you.

Sincerely, Linnea Wiberg

9.2.2  Middle and Top Managers

Hejsan,

Jag heter Linnea och jag läser min sista termin på Jönköpings handelshögskola och jag tillsammans med två klasskompisar skriver just nu på vårt examensarbete. I vårt examensarbete så använder vi Swedol i vår fältstudie och vi genomför därför just nu intervjuer. Dessa intervjuer kommer göras på butikschefer, regionschefer samt på Er VD, Clein Ullenvik och försäljningschef Magnus Lyckman.

Intervjun tar cirka 30-45 minuter och Ni kommer att vara anonyma i vårt arbete. Eftersom att vi är baserade i Jönköping är vår mobilitet delvis begränsad och därför kan vi enbart besöka några.

Vad vi tittar på är strategisk förnyelse, alltså när företag väljer att förändra sin strategi utan att helt ändra riktning (vilket är kallas för strategisk förändring). Vi vill undersöka de bakomliggande faktorerna (internt och externt) varför man vill göra en förändring. Dessutom så tittar vi på hur man implementerar denna strategi i ett stort företag genom två verktyst:

- Interaktiva Kontrollsystem: De informella och formella sätt man använder för att kommunicera med varandra, hur ledningen inkluderar de ”undre lagren” av organisationen i sin formulering av strategin och hur man kommunicerar om strategin exempelvis inte fungerar.

- Diagnostiska Kontrollsystem: System som införs för att kunna mäta hur saker och ting fortlöper, exempelvis budgets, rapporter, schemaläggningar osv.

Vad vi vill ta reda på är hur dessa används i praktiken och hur det leder strategin framåt samt om detta är något som hämmar eller främjar innovationen i företaget (något som forskare är oense om).
Det optimala för oss är om vi kan anordna dessa intervjuer innan den 13e April då vi ska besöka huvudkontoret, om ni vill ställa upp på en intervju så skriv gärna förslag på tider då vi antingen kan komma till er.

Med vänlig hälsning, Linnea Wiberg

Hello,

My name is Linnea and I am studying my last semester in Jönköping International Business School, me and my two class colleagues are right now writing our thesis. We are basing our case study on Swedol and are therefore conducting interviews right now. These interviews will be made on operational managers, region managers and the top Management; Clein Ullenvik and Magnus Lyckman.

The interview takes about 30-45 minutes and you will be anonymous in our thesis. Since we are based in Jönköping our mobility are partly limited, hence we can only make visits to some of you.

What we are studying is strategic renewal, which means that a company decides to make changes to its’ strategy with out completely change its’ direction (which is called ‘strategic change’. We’d like to study the underlying factors (both external and internal) to this renewal. Furthermore we are studying how this strategy is implemented in a large company through two tools:

- Interactive control systems: The informal and formal ways to communicate with each other and how top management includes the “lower levels” of the organization in the formulation of strategy and how arising problems get communicated.
- Diagnostic Control Systems: Systems that are implemented to measure how things are progressing, for instance: bugets, reports, schedules.

We would like to find out how these are used in practice and how these are leading the strategy forward, and if it inhibits or promotes innovation.

The most appropriate to us is if we can make these interviews before the 13th of April since we are making a visit to the head office then. If you would like to participate, send back date and time proposal for us to come and visit you.

Sincerely, Linnea Wiberg