Managing for high quality and cost-efficiency within elderly care
- a case study of Ambea and Vardaga, a private equity-owned elderly care company

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Abstract

This paper aims to explore how managers in the welfare sector control an organization. This was examined by conducting an in-depth case study of a Swedish private-equity owned elderly care company where we investigated how strategies related to quality of care are balanced with strategies related to cost-efficiency. A revised version of Simons' (1995) Levers of Control framework, that also takes into account how verbal communication of the formally designed systems can be a means of control (Hall, 2010), constitutes the theoretical framework. Our findings indicate that although the formally designed systems were identical at the corporate level as well as at the two studied subunits, Alpha and Beta, the management control systems (MCS) in use differed. At the corporate level and at Alpha, verbal communication facilitated a balanced focus between cost-efficiency and quality of care. However, at Beta, verbal communication rather led to operating managers perceiving the focus as skewed towards cost-efficiency. This illustrates the importance of not solely having appropriately designed formal systems when controlling for a company's business strategies, but that also managers' use of verbal communication needs to support a balanced focus between all strategic dimensions. If not, no matter the design of the formal control systems, a misuse of verbal communication risks leading to a skewed strategic focus.

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Acknowledgements

Table of Contents

1. INTRODUCTION

Since the 1980s, New Public Management (NPM) reforms have been introduced in the public sector to make its management control systems more similar to the private sector (Hood, 1991). In the welfare sector, previous research has indicated that a greater focus on accounting, a result of the NPM reforms, can lead to concerns among welfare professionals. This is due to the introduction of accounting goals potentially creating tensions between these goals and the traditional professional values of care-giving (e.g. Bracci & Llewellyn, 2012; Kurunmäki, 2008; Lapsley, 2008; Llewellyn, 1998b; Power & Laughlin, 2002). From a management perspective the NPM reforms have led to an increased focus on cost-efficiency strategies in addition to a previous main focus on strategies covering quality of services provided. Although one could expect managers' actions to be important in order to affect other employees' behaviors, which Hood (1991) also stated in his first NPM doctrine, most previous public sector studies have focused on effects of increased accounting on the entire organization or on front-line workers (Modell 2001, Modell 2009). Only a few public sector studies have elaborated on managers' roles in using management control mechanisms to ensure achievement of the organization's objectives (e.g. Dent, 1991; Jönsson & Solli, 1993; Mir & Rahaman, 2006; Østergren, 2009). The public sector studies as well as private sector research exploring active management indicate that verbal communication of accounting information can be an important form of management control in addition to the formally designed control systems (e.g. Ahrens, 1997; Ahrens & Chapman, 2007; Jordan & Messner, 2012; Jönsson & Solli, 1993). Thus, it is of interest to gain further insight into how managers in practice use different management control mechanisms in a welfare service organization.

Publicly financed welfare services in Sweden today are not only provided by actors influenced by the private sector, but also include private companies as welfare providers. Moreover, the largest private elderly care companies in Sweden are owned by private equity (PE) funds (Erlandsson et al., 2013), which often work with improving operations in portfolio companies through operational engineering (Kaplan & Strömberg, 2009). The case company in this study, Ambea with business area Vardaga, is controlled by PE owners, with one of the owners being referred to as "*the mother of all Private Equity*" by the CEO of Ambea. Despite the public sector having been influenced by the private sector, one can presume PE-owned firms to be even more result-oriented. One can also expect managers with pressure to deliver measurable results to be active, thereby playing an important role in ensuring that desired results are delivered. Hence, it is interesting to explore what happens when managers with result-focused owners control a welfare service organization. In order to investigate how a result-oriented organization is controlled, it is necessary to consider managers' role in ensuring that the organization fulfills its objectives. Furthermore, in order to capture all management control mechanisms, a holistic approach has to be taken. Chenhall (2003) stresses the risk of studying specific elements of management control in isolation since it could result in wrongful findings. Therefore, we turn to the management control literature to explore how to practically control for both strategies covering accounting and strategies covering care-giving.

Simons' (1995) Levers of Control framework is a management control systems (MCS) framework comprised of four levers: beliefs systems, boundary systems, diagnostic control systems and interactive control systems. Important features of the Levers of Control framework,

making it a suitable lens for analysis of management control in the welfare sector, are its holistic approach of management control and its management focus. Nevertheless, researchers adopting the Levers of Control framework have criticized it for excluding informal and social control processes, for example illustrated through interaction between employees (Collier, 2005; Tessier & Otley, 2012). Hall (2010) argues that how managers use verbal communication can affect the usage of accounting information in operational decisions. Management control therefore not only becomes about the formal diagnostic and interactive control systems, but also about how these are verbally communicated, labeled accounting talk (Hall, 2010). Similarly, discussions arising from formal beliefs and boundary systems are in some cases important for facilitating organizational members' understanding of and increasing their commitment to these formal systems, which Simons (1995) acknowledges but still leaves out of his definition of MCS. Thus, verbal discussions can fulfill the same purpose for beliefs and boundary systems as accounting talk does for diagnostic and interactive control systems.

The aim of the thesis is to explore how managers in a PE-owned elderly care company use MCS to balance strategies related to cost-efficiency with strategies related to quality. Both the formally designed control systems as well as how managers use verbal communication to make sense of the formally designed systems will be explored[1], thereby gaining a deeper understanding of how managers in practice control the organization. This will be done using a revised version of Simons' (1995) Levers of Control framework and the following research question has been posed in order to fulfill the purpose of the study:

How can managers in an elderly care company use the MCS to balance strategies related to cost-efficiency with strategies related to quality?

We will first explore if there are tensions between the dimensions at the corporate level and at two elderly care units. Minimizing tensions means achieving a balance between the two areas cost-efficiency and quality. Thus, balance refers to the extent to which the MCS facilitate simultaneous achievement of strategies related to cost-efficiency and strategies related to quality. Thereafter, we will analyze how managers at the corporate level have designed and use the MCS and how managers at the operating level use the MCS to balance the dual strategic dimensions.

In order to answer our research question we have conducted an in-depth qualitative case study of a Swedish PE-owned welfare company, Ambea, and more specifically its business area within elderly care, Vardaga. In total, we have conducted 26 semi-structured interviews at the corporate level and at two elderly care units[2]. Moreover, to be able to get a full perspective of the MCS, all hierarchical levels of the organization have been interviewed. Additionally, all interviews took place at the interviewees' workplace, enabling direct observations at the headquarters and the included elderly care units. Since national laws and regulations to a great extent limit operations within the welfare sector, the study focuses on the Swedish part of Ambea. Furthermore, although acknowledging that external economic, social and political interests might also impact

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[1] Making sense of the formal control systems through verbal communication means talking about the formal systems and thereby enhancing managers' understanding of the formal systems' purpose.

[2] A complementary interview was conducted with a third unit manager to gain a deeper understanding of the overall role of a unit manager.

the company's operations, the focus of the study is on internal activities of the case company (cf. Llewellyn, 1998a).

In summary, our findings show that both at the corporate level and at the two elderly care units the same formally designed MCS existed but the MCS in use differed. Verbal communication was extensively used to make sense of both accounting-based systems as well as the other control systems but with differing results. The formally designed MCS were skewed towards the financial dimension at the corporate level, but the importance of being both cost-efficient and delivering high-quality care was emphasized through verbal discussions and the MCS in use were therefore balanced. Nevertheless, despite having the same formal MCS as the corporate level, the perception among operating managers at the two elderly care units differed as a result of verbal communication of the diagnostic and interactive controls. At unit Alpha the reporting was perceived as balanced between quality and cost-efficiency, similar to at the corporate level, while at Beta the reporting was perceived as focused on cost-efficiency. In other words, the way in which the formal control systems were verbally communicated led to different perceptions at the two elderly care units regarding the focus from the corporate level. Thus, our study illustrates that how corporate level managers communicated with their subordinates affected operating managers' perception of an appropriate strategic focus. If these findings are valid also for other organizations, management control not only becomes about the formal information-based systems, but also about how the systems are made sense of through verbal communication.

The remainder of the paper is structured as follows. In section 2, a review of previous literature is presented, current research gaps are further explored and the derivation of the framework used in this study is presented. Previous literature includes a review within the fields of control in the public sector, active management through verbal communication and management control where the most relevant research is highlighted. Thereafter, in section 3 we present our research method and its effect on the quality of the study. Furthermore, section 4 presents the case analysis based on our revised Levers of Control framework, which is further discussed in section 5. Lastly, the study is summarized and concluded in section 6, including a reflection on limitations and further research topics.

2. REVIEW OF PREVIOUS LITERATURE

In this section, previous research about control within areas relating to our study is presented. First, in section 2.1, research about accounting within the public sector and previous literature covering controlling in practice through managerial actions is presented. In section 2.2, previous research about management control is discussed, including Simons' (1995) Levers of Control framework. Finally, with previous literature as a starting point, we derive our framework for analysis in section 2.3 and discuss how our study aims to contribute to existing research.

2.1 Previous literature covering public sector control and controlling in practice through managerial actions

First, section 2.1.1 introduces a short overview of the reforms done within the public sector during the past 30 years, often defined as New Public Management. Secondly, section 2.1.2 presents studies incorporating the collaboration between accounting and caring within the welfare sector. Thirdly, section 2.1.3 highlights studies elaborating on how managers use control mechanisms, with a main focus on public sector studies. Finally, section 2.1.4 elaborates on a potential additional tension between accounting and care-giving when private equity-owned companies are present in the welfare sector.

2.1.1 Reforming the public sector

In the 1980s and beginning of the 1990s, a new way of controlling within the public sector grew stronger when New Public Management (NPM) was introduced (Hood, 1991). NPM emerged because of an increased call for formalized management controls, accounting practices and active management within the public sector (Hood, 1991; Hood, 1995). It was thereby an attempt to change the controlling and accounting for public services rather than the services per se (Brunsson & Sahlin-Andersson, 2000). Arguments in favor of the reforms were that the public sector had become too inefficient and needed tools for improving efficiency, quality and accountability (Olson et al., 1998). Integrating the characteristics of public sector organizations with NPM ideas was rapidly adopted and Sweden became one of the countries most quickly implementing the new practices (Laughlin & Pallot, 1998). Greater emphasis was put on creating market mechanisms, management decentralization, performance indicators, quality assurance and financial transparency (Power, 1999). To summarize, NPM has led to the public sector increasing its focus on accounting techniques and improved efficiency. In practice, this means increasing the prioritization of strategies related to cost-efficiency in addition to strategies related to high-quality service.

2.1.2 Tensions between accounting and caring in the welfare sector

With the NPM reformation, accounting has as mentioned above become more and more widespread within the public sector in general and the welfare sector in particular; different researchers have named this process differently, for example hybridization, polarization or accountingization, but all concepts deal with how accounting techniques impact professional values and care practices in the public sector (Jacobs, 2005; Kurunmäki, 2004; Power & Laughlin, 2002). However, combining accounting and care-giving has not been done without resistance in the welfare sector (e.g. Blomgren, 2003; Charpentier & Samuelsson, 1996; Jacobs, 2005; Llewellyn, 1998a) as the sector is characterized by a strong focus on the customer or patient, driven by beliefs and a feeling of social mission (Lapsley, 2008; Llewellyn, 1998b). This

customer focus is closely linked to the importance of care and contributes to potential tensions arising when accounting and caring are intertwined. More specifically, it poses a potential conflict of interest between quality of care and meeting the budget if economic measures have to be considered when making care decisions (e.g. Bracci & Llewellyn, 2012; Llewellyn, 1998a).

There are numerous studies exploring the effects of NPM reforms within health care (e.g. Blomgren, 2003; Charpentier & Samuelsson, 1996; Jacobs, 2005; Kurunmäki et al., 2003; Kurunmäki, 2004; Østergren, 2009). In a Nordic context, a study of the health care sector came to the results that changed responsibilities due to NPM reforms in Sweden were reluctantly accepted by a majority of participating health care professionals (Charpentier & Samuelsson, 1996). However, a study of the Finnish health care sector rather found that health care professionals willingly adopted the use of accounting techniques (Kurunmäki, 2004). Furthermore, Blomgren (2003) studied how Swedish health care reforms affected work responsibilities for nurses and found that the organizational change was perceived differently depending on if the nurses had an administrative or caring role. Blomgren (2003) thereby highlighted the importance of not looking at all professional groups as homogeneous but to acknowledge that different responses can be found within the same professional group. Moreover, in addition to responses differing between or within professional groups, responses to increased use of accounting techniques have also varied across countries (e.g. Jacobs, 2005; Kurunmäki et al., 2003). To summarize, previous research has found both positive and negative reactions to increased accounting in the health care sector, ranging from fierce resistance to willing adoption (Blomgren, 2003; Kurunmäki, 2008).

Despite the vast amount of research about the consequences of increased accounting focus in the health care sector, only a few studies have discussed potential difficulties in the social services setting in general (e.g. Llewellyn, 1998a; Llewellyn, 1998b; Bracci & Llewellyn, 2012) and within elderly care in particular (e.g. Kraus, 2007; Kraus, 2012). Llewellyn (1998a) described how costing and caring were initially kept separate in the UK social services when NPM reforms were introduced, but were gradually merged. Furthermore, another study by Llewellyn (1998b) described how introducing budgets to front-line workers did not increase their use of accounting but rather the core focus was still on delivering effective care to the customers. A study by Bracci & Llewellyn (2012) illustrated how the introduction of accounting and output measures was received differently depending on the complexity of services. For example, within residential elderly care, including units for dementia clients, increased focus on accounting was accepted to a greater extent since this type of service was relatively standardized and thereby accountability could be measured through efficiency measures. The reason for this is that services performed within residential elderly care are more about supporting and accompanying the elderly rather than changing behaviors, which allows for a more standardized form of assistance (Bracci & Llewellyn, 2012). However, within the service groups that treated more complex issues, including some dementia patients, increased accounting focus was met with greater resistance (Bracci & Llewellyn, 2012). The findings of Bracci & Llewellyn (2012) can be compared to Kraus (2012), who argued that cooperation issues in residential elderly cares in Sweden are less complex than in home care services for elderly.

Kraus (2007) studied control in elderly home care providers and explored intra- and inter-organizational relationships within elderly care. For intra-organizational control he elaborated on the different views of efficiency between managers and front-line workers and acknowledged that there are two dimensions to efficiency - a financial dimension and a quality dimension. While the financial dimension is typically controlled for through vertical processes, the quality dimension is dependent on flexibility among front-line workers to fulfill the user needs of the elderly (Kraus, 2007). In the study, only the financial dimension was followed up on regularly and systematically, potentially leading to the risk of quality being neglected by the welfare professionals if they primarily focus on what they are measured on, their budget, instead of their main mission, caring of the elderly (Kraus, 2007). Efficient control requires a balance between the financial and quality dimension. Thus, only when resources can be used more efficiently without lowering the perceived value of care for the elderly is the control efficient (Kraus, 2007).

Public sector research has covered the effects of increased accounting in both health care and social services. Yet, control by managers responsible for achieving strategies related to accounting has not to a great extent been discussed in the public sector setting. In the next section, this will be further elaborated on.

2.1.3 Control mechanisms in practice used by managers through their actions

The focus on increased accounting in the welfare sector has mainly been on the organization in general or on front-line workers[3] (Modell, 2001; Modell, 2009). Additionally, the managerial role in using different control mechanisms in the public sector has generally not been emphasized in these studies. This is intriguing because Hood (1991) in his first NPM doctrine stated the importance of more active control by managers of public organizations. Since managers are responsible for MCS, generally defined as the mechanisms managers use to control organizational members' behavior towards the pursuit of an organization's objectives (Merchant and Otley, 2006), it is of interest to understand how managers use these systems and not only how organizations are affected when the systems are changed. One could expect managers to play an important role in using management control systems in the pursuit of reaching the organization's objectives. Therefore, it is interesting to investigate how managers in their daily work make sense of the formal control systems. This is further emphasized by Jönsson (1998) who called for a need to "*relate management accounting research to managerial work*", later also called for by Hall (2010) when investigating how management control systems in practice are used. Relatively little research has been done in this area, especially in the public sector context. Nevertheless, there are some studies analyzing management involvement in the public sector and which indicate that managerial actions impact organizational outcome. For example, this has been elaborated on through leadership style (Mir & Rahaman, 2006) and different ways of using management control systems (Aidemark & Funck, 2009; Dent, 1991; Jönsson & Solli, 1993; Østergren, 2009). Since there are relatively few studies about how active management impacts MCS in the public sector setting, also private sector studies about managerial actions will be discussed (Ahrens, 1997; Ahrens & Chapman, 2007; Jordan & Messner, 2012).

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[3] See examples in section 2.1.2 of when clashes arise in health care and social services.

In a study of two Norwegian health care regions, Østergren (2009) found that operating managers perceived the strategic focus by top management differently depending on if the region predominantly used management controls diagnostically or interactively. Aidemark & Funck (2009) analyzed how the balanced scorecard (BSC) was used in a Swedish medical clinic over a ten-year period and found that over time measurement became the self-evident way to find answers about operations and quality development. One important reason for this adoption was management interest, demand and support (Aidemark & Funck, 2009). Although the concept of active management was not the focus of the study, one could expect that the managers played an essential role in making the BSC self-evident. In line with this reasoning, Gurd and Thorne (2003) described a case where the management control technique activity-based costing (ABC) was eventually dropped in an organization when the managers initially supporting this management control technique left the company. In a case about commercialization initiatives in the Australian state New South Wales' State Mail Services, Mir & Rahaman (2006) found that accounting techniques supporting commercialization complemented with an appropriate leadership style was important to succeed with new initiatives. By top management gradually implementing commercial accounting techniques, the organizational culture shifted to become more accounting-inspired. The above studies indicate that managers' roles can be important to take into account in order to understand how management controls in practice are used in an organization. However, how managers made sense of the formal management controls in question was not the main focus of these studies.

Hall (2010) discussed how leaders can make sense of formal accounting systems and claimed that the way managers use accounting information in verbal communication determines its relevance for managerial work. Hall (2010) relied on the concept accounting talk (Ahrens, 1997; Jönsson & Solli, 1993), from which he developed the following proposition:

"The relevance of accounting information for managerial work is determined primarily by how managers use and interpret accounting information in verbal communications and discussions." (Hall, 2010 p. 308)

Thus, Hall (2010) argued that the relevance of accounting information is not solely determined by its content, but also dependent on how managers use the information in verbal communication. Similarly, Ahrens (1997) in a study about European breweries found that rather than only exchanging information about financial numbers, accounting talk was a way to tailor financial information to operational issues managers believed to be important. Thereby, through accounting talk, organizational members can find out what accounting information that is important and on which they should act.

In a case study about initial NPM reforms in the Swedish municipal social services, aiming for improved design and increased follow up of financial reports, Jönsson & Solli (1993) stressed the importance of verbal discussions about accounting information in the welfare sector because there exists an inherent risk for misunderstanding between accountants and welfare professionals. Furthermore, after a few months of regularly verbally discussing financial results, operating managers did not see any reasons for not striving towards delivering both better and cheaper care (Jönsson & Solli, 1993). However, how managers used accounting talk to balance dual strategic objectives was not the aim of Jönsson & Solli's (1993) early study of

commercialization in the Swedish welfare sector and they emphasized the need for more research about accounting talk. Dent (1991) studied a British public railway company and found that following a reorganization, top managers giving attention to financial implications and speaking in financial terms eventually led the company's corporate culture to shift from being operationally focused to focusing on economic and accounting concerns. Thereby, Dent (1991) touched upon how managers used verbal communication to shift the organizational culture, for example by linking operational concerns to financial calculations in discussions.

Other than Jönsson & Solli (1993), previous research about control in the public sector has not to a great extent discussed the concept of accounting talk. Nevertheless, in addition to Ahrens (1997), findings in the private sector indicate that verbal communication of management control systems can impact managerial perception of the formal controls (Ahrens & Chapman, 2007; Jordan & Messner, 2012). Jordan & Messner (2012) found that the way in which top management in a manufacturing company communicated the role and relevance of selected output indicators affected operating managers' perception of those indicators. Thus, discussions about control systems were more important for shaping operating managers' perception than the design of the systems. Moreover, although top managers may have reasons for paying close attention to certain strategic areas, tensions can arise if operating managers do not understand or agree with the prioritization from top management (Jordan & Messner, 2012). In another private sector case, Ahrens & Chapman (2007) in their study of a restaurant chain found that restaurant managers regularly discussed management control information with their superiors in order to relate performance targets to operations. Additionally, managers worked together and drew on performance information to create a shared understanding of what was considered good performance (Ahrens & Chapman, 2007). Hence, these studies found that verbal communication of accounting information, or accounting talk, can be an important form of management control in addition to the formal control systems.

A case study where the findings support the concept of accounting talk was conducted by Collier (2005), although not himself elaborating on the concept. In the case, Collier (2005) described how the CEO of a company used a spreadsheet model as the basis for verbal communication with his subordinates about how to act on measures included in the model. Furthermore, the CEO's communication was not only used to make sense of the formal accounting systems but also created a shared sense of appropriate behavior among organizational members.

Previous research within the public and private sector indicates that managerial actions play a role in organizational outcomes and that verbal communication can be used to make sense of formally designed control systems. Still, few studies in the welfare sector have focused on how managers in practice use verbal communication to make sense of the formal control systems. Moreover, how managers use management control mechanisms when striving to balance strategies related to quality and cost-efficiency has not been the main focus of previous public sector research. Therefore, how managers in the welfare sector in practice use management control mechanisms to balance dual strategic objectives still needs to be explored.

2.1.4 Private equity in the welfare sector and its impact on accounting techniques

Publicly financed welfare services in Sweden are provided by both public and private actors and the largest private companies in the elderly care sector in Sweden are owned by private equity funds (Erlandsson et al., 2013). According to Kaplan and Strömberg (2009), most PE-owned firms today apply operational engineering, which means that PE funds use their industry and operating expertise to improve the operations of their portfolio companies. PE-owned firms are also often characterized to have active boards, highly incentivized top management and high leverage (Jensen, 1989). As mentioned above, the public sector has increased its use of accounting with the adoption of NPM. Despite a lack of research regarding the use of accounting by PE-owned companies in the Swedish welfare sector, considering the described characteristics of PE ownership, one could expect PE-owned firms to be result-driven and thereby display a relatively high focus on measurable results. One could also expect managers with pressure to deliver results to be active, thereby playing an important role in ensuring that desired results are delivered. With this in mind, studying managers' roles in a PE-owned elderly care company has the potential for intriguing findings. Thus, it is interesting to explore what happens when managers with result-focused owners control a welfare service organization.

Studying specific management controls in isolation is not enough but risks leading to wrongful results if the systematic linkage between accounting and other organizational controls is neglected (Chenhall, 2003). Therefore, in order to understand how organizational members use management controls to balance tensions between accounting and care-giving, a holistic management control view has to be taken. Hence, we turn to the management control literature to explore how managers in practice use management control mechanisms to balance strategies related to cost-efficiency with strategies related to quality.

2.2 Previous literature covering management control systems

This section presents studies within the area of management control. Section 2.2.1 gives a brief overview of the management control literature. Thereafter, section 2.2.2 introduces Simons' (1995) Levers of Control framework, the main framework we base our analysis on, and how managers can use it to control an organization. Finally, section 2.2.3 provides insight to how the Levers of Control framework can be extended to also include verbal communication.

2.2.1 An overview of literature within the field of management control

Numerous researchers have explored the field of management control over the years and the definition of management control and management control systems (MCS) varies widely over time and between authors (Merchant & Otley, 2006). Within the research on management control, Anthony (1965) presented the first discussion about management control as a separate topic (Merchant & Otley, 2006), although mainly focusing on accounting-based controls. Later on, several authors have developed frameworks incorporating additional aspects such as behavioral controls, cultural controls and emergent strategies (Alvesson & Kärreman, 2004; Malmi & Brown, 2008; Merchant & Van der Stede, 2007; Ouchi, 1979; Simons, 1995). However, a review of the management control literature is not within the scope of this study.

When determining which management control framework to use one has to consider for what purpose these lenses are going to be used for the analysis of empirical data. As this study focuses

on how managers in practice use management control mechanisms available at their disposal, a framework that takes both the managers' perspective and a holistic perspective on management control is desired. A framework fulfilling these criteria is Simons' (1995) Levers of Control framework. We will continue by presenting the original Levers of Control framework and thereafter elaborate on how it needs to be extended.

2.2.2 Simons' Levers of Control Framework

Simons (1995) developed a MCS framework with a slightly different view on strategic control compared to the traditional top-down view of management control (Toumela, 2005). While most previous frameworks focus on implementing a predetermined strategy (e.g. Anthony, 1965), according to Simons (1995) management control is about controlling both the implementation of current intended strategies and emergent strategic initiatives. The traditional view of strategy implies a hierarchical view of the strategy process, where strategy is a plan formulated by top management and the MCS' purpose is to implement the strategy deliberately designed by top management. Mintzberg (1987) argued that realized strategies arise both from intended strategies and emergent strategies. Thus, management control under Mintzberg's view of strategy becomes about controlling for both intended and emergent strategies, which is considered in Simons' (1995) framework.

Simons' (1995) Levers of Control framework aims to facilitate for organizations to reach their goals through an efficient and effective use of the MCS. For example, an organization with strategies related to both cost-efficiency and high quality should have MCS that ensure achievement of both types of strategies. In other words, the MCS should not focus on achieving only one of the two. Simons (1995) defines management control systems as:

"(T)he formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (Simons, 1995 p. 5)

One thing to note regarding Simons' (1995) definition is that it primarily considers formal routines and procedures. Consequently, this definition does not include discussions about appropriate and inappropriate behavior, not even if the discussions maintain or alter patterns in organizational activities. Simons' (1995) framework is based on four levers: beliefs systems, boundary systems, diagnostic control systems and interactive control systems. All levers of control, which will be explained in detail below, should be used in the strategy process, but in different ways and for different purposes. Thereby, the combined use of the four levers should maximize return on management (Simons, 1995). This has later on been supported by empirical studies, which emphasize the necessity to jointly use different control systems in order to realize the full potential of the MCS (e.g. Henri, 2006; Mundy, 2010; Widener, 2007).

Beliefs systems and Boundary systems
Beliefs systems are the formal systems used by top management to communicate and reinforce core values (Simons, 1995). Examples of beliefs systems are mission statements, statements of purpose and credos. According to Simons (1995), the primary purpose of beliefs systems is to inspire organizational members to seek new opportunities. Beliefs also have to be broad enough for all participants in the organization to commit to the core values on their own terms.

Additionally, discussions emerging from the need to communicate the formal beliefs can many times be more valuable than the formal documents per se (Simons, 1995). Thereby, discussions arising from core values and mission statements can facilitate the understanding of and increase organizational members' commitment to the formal beliefs. However, discussions arising from the beliefs systems are not included in Simons' (1995) definition of management control systems.

Boundary systems restrict the acceptable domain of activity for an organization's members and therefore deals with what risks an organization should avoid (Simons, 1995). The boundary systems restrict ex ante, often in negative terms, what organizational participants shall not do. However, one should note that although Simons (1995) argues that boundary systems are better formulated specifying what not to do, he does not say it cannot include what should be done. An organization has both operational and strategic risks to be avoided and boundaries can therefore be divided into these two categories (Simons, 1995). Operational boundaries include the explicit rules, directives and code of conducts that regulate how employees in an organization should act while strategic boundaries restrict what strategic initiatives the organization should avoid.

The boundary systems are supposed to restrict the beliefs systems' unlimited opportunity space and therefore convey the organizational domain where organizational participants should focus their work (Simons, 1995). Tessier & Otley (2012) argue that in some cases beliefs can also be used as boundaries as the organizational values implicitly set up boundaries for where not to go. Simons (1995) also acknowledges that both the formal beliefs and boundaries risk being ineffective if senior managers' actions are inconsistent with what is formally communicated. Consequently, theories-in-use might override the formal beliefs and boundaries.

Diagnostic control systems
Diagnostic control systems are the formal feedback systems used by organizations to monitor outcomes and correct deviations from preset standards (Simons, 1995). Together with boundary systems, diagnostic controls are controlling forces, ensuring that the organization stays on track on the path towards reaching its intended strategy. Examples of diagnostic control systems are budgets, balanced scorecards and business plans. To be able to measure a process diagnostically one has to be able to: (1) measure the output of the process, (2) have a predetermined standard against which actual results can be compared, and (3) have the ability to change the process when results deviate from the preset standard (Simons, 1995).

Simons (1995) also acknowledges that an alternative to diagnostic output control is input control. When not possible to monitor the results, the only possible way to control is sometimes to select the right candidate and train the worker. However, this type of input control is often costly for the organization and therefore not an efficient way to control the organization according to Simons (1995).

Interactive control systems
Interactive control systems are the formal information systems used by top managers to regularly discuss the development of strategically important issues with the organization's members (Simons, 1995). Thereby, the focus of the entire organization is directed towards the area where top managers are focusing their personal attention. Any diagnostic control system can be used

interactively, however, Simons (1995) argues that under normal conditions only one control system at a time should be used interactively and all other systems thus used diagnostically. Interactive control systems have four defining characteristics: (1) information generated by the system is actively used and addressed by top management, (2) the system is frequently used by all managers in the organization, (3) information from the system is discussed in face-to-face meetings at all levels of the organization, and (4) the system is a catalyst for ongoing discussions of information, assumptions and plans (Simons, 1995).

Interactive control systems are one of the unique aspects of the Levers of Control framework. As mentioned previously, most of the literature within management control focuses on top-down control and intended strategies, while Simons (1995) by introducing interactive control systems acknowledged Mintzberg's (1987) view that realized strategies are a combination of top-down intended strategies and emerging strategic initiatives. Thereby, interactive control systems enable top managers to regularly evaluate how the organization is managing its strategic uncertainties, offering the possibility to alter the original intended strategies if needed.

The above characteristics of the Levers of Control framework specify how the MCS should be properly designed. In the next section, extensions to the Levers of Control framework that we believe are important in order to understand how managers in practice use management control mechanisms will be presented.

2.2.3 Extending the Levers of Control Framework to include verbal communication
Many case studies exploring management control over the years have used the Levers of Control framework (Tessier & Otley, 2012). However, there is a concern regarding the fact that Simons' (1995) definition of MCS only includes formal routines and procedures and excludes informal and social control processes, for example illustrated through employee interaction (Collier, 2005; Tessier & Otley, 2012). Furthermore, Hall (2010) has criticized studies adopting Simons' (1995) Levers of Control framework for not investigating the nature of the interactive control process and therefore missing out on the way accounting information in practice is used to prompt discussions.

Hall (2010) argues that managers' use of verbal communication can in turn affect the use of accounting information in operational decisions, as previously discussed in section 2.1.3. This affects both interactive and diagnostic control systems. First, as interactive control is about discussing the most important strategic areas and strategic development of those areas, interactive control is per definition verbal communication of diagnostic measures and thus a type of accounting talk. Secondly, regarding diagnostic control systems, managers can emphasize the importance of specific diagnostic measures in verbal discussions, for example the need to meet certain Key Performance Indicator levels, even though they are not prioritized areas for interactive strategic development. In that case, managerial focus on specific diagnostic measures in turn sends a message to subordinates that these measures are important to focus on. Thereby, organizational outcome is not only affected by the formally designed interactive and diagnostic control systems, but also by how these are verbally communicated through accounting talk.

The concept of accounting talk can also be used to complement the beliefs systems and boundary systems, although not including discussions about accounting information. Simons' (1995) himself acknowledges the need to sometimes discuss the meaning of the formal beliefs, which indicates that verbal discussions related to beliefs systems are important. The same type of discussions can be seen as important also for boundary systems. Simons (1995) also recognizes that theories-in-use might override the formal beliefs and boundaries if managerial actions are not consistent with the formal systems. Therefore, verbal discussions about the meaning of formal beliefs and boundaries can be a way for managers to facilitate an understanding and create a shared meaning of these formal control systems. Thus, verbal discussions can fulfill the same purpose for beliefs and boundary systems as accounting talk does for diagnostic and interactive control systems.

In addition to including social control mechanisms when conceptually revising Simons' (1995) framework, Tessier & Otley (2012) stressed the importance of employee perception of the controls. Different employees can for example perceive the same control as either constraining or enabling, which could lead to a difference in organizational performance. An issue directly related to employee perception is how top managers present the controls to operating managers (Tessier & Otley, 2012). The presentation of controls is how top managers communicate the deliberately designed management control systems to their employees. This can be compared to the previously discussed concept accounting talk (Hall, 2010), but also compared to making sense of formal beliefs and boundaries through discussions.

When exploring how managers use the MCS to balance strategies related to cost-efficiency with strategies related to quality, it is important to look at all aspects of the MCS. This means analyzing all MCS mechanisms at the corporate level and at the operating level. Moving forward, the next section will present the framework used to fulfill the aim of the study.

2.3 Derivation of framework and contribution to research

In section 2.3.1 we derive our framework for analysis and section 2.3.2 specifies how the study aims to contribute to existing research.

2.3.1 Deriving our framework for analysis

When deriving our framework used for the case analysis we apply the concept of Laughlin's (1995) "*skeletal theory*". Thereby, the framework is not seen as an absolute truth but rather as a tool or lens used for structure and complemented with empirical findings to arrive at a meaningful holistic picture. From the literature presented in previous sections we derive a framework for analyzing how the management control systems are designed and used at the corporate level as well as used at the operating level of the organization. For this purpose, we believe Simons' (1995) framework is appropriate to use as a starting point. We will also consider how verbal communication of the formal control systems in practice affects the usage of the MCS.

Drawing upon previous research, for the MCS at the corporate level we will adopt Simons' (1995) Levers of Control framework but also acknowledge that verbal communication can affect the use of the levers.

At the operating level, corporate level managers' discussions about the formal control systems can affect the MCS in use through interaction between the corporate level and the units. Depending on how the corporate level presents different management controls and depending on how operating managers at elderly care units perceive them, the MCS in use are affected. This applies to all levers of control since verbal communication can be used to make sense of all formal control systems. For example, if certain diagnostic measures are continuously emphasized in verbal communication, or accounting talk, diagnostic control systems as a whole might not be used in accordance with the intended formal design. Furthermore, operating managers can in turn use verbal communication to affect subordinates' behavior the same way as is done at the corporate level. Thereby, also at the operating level the usage of the formal control systems can be affected by verbal communication.

To fit our empirical setting, the concept of balance as discussed by Simons (1995) will not be used. Rather, in order to answer our research question, when we discuss the concept of balance, if another meaning is not obvious, balance is the relative focus given the two areas quality and cost-efficiency in different contexts. Thus, balance in our case study refers to the extent to which the MCS simultaneously focus on quality issues and financial issues, thereby facilitating achievement both of strategies related to quality and of strategies related to cost-efficiency.

To summarize, a revised Levers of Control framework will serve as our skeletal framework for analysis. In order to answer to our research question, the discussion around Simons' (1995) framework is extended to also include how verbal communication affects the usage of the formal control systems. An illustration of the framework used in our analysis is presented in Figure 1 below.
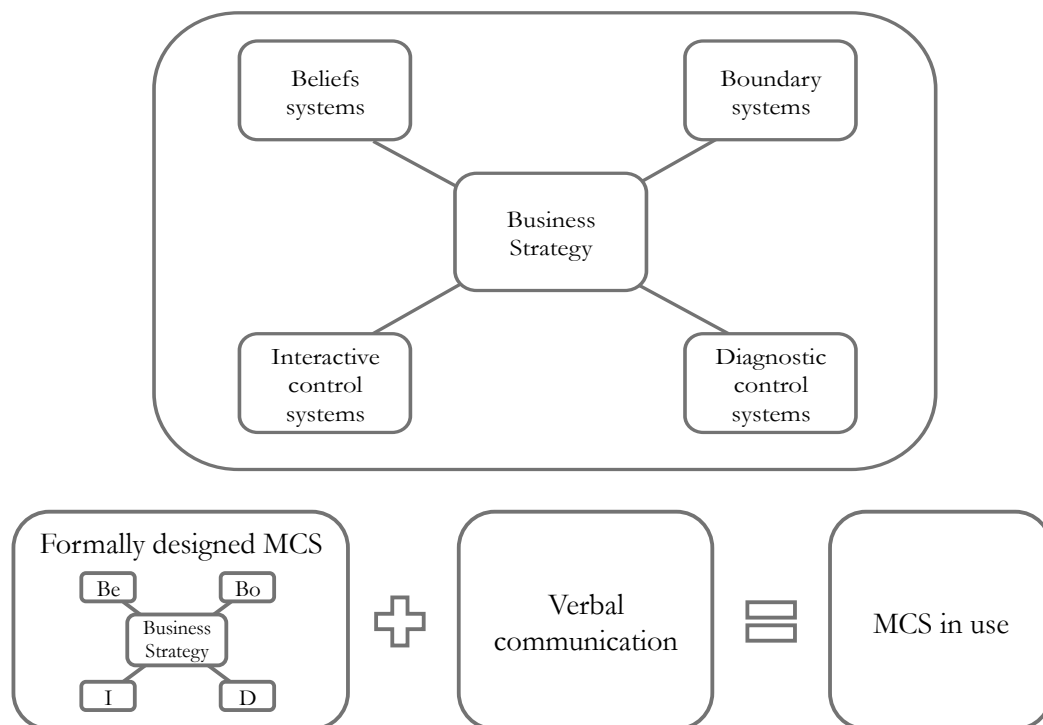
Figure 1. Simons' (1995) Levers of Control framework, which represents the formally designed MCS, and the relationship between MCS design and MCS usage

2.3.2 Contribution to existing research

New Public Management reforms have driven public sector organizations to become more result-focused and previous research has indicated that tensions exist between strategies related to quality and strategies related to cost-efficiency. Furthermore, public sector studies elaborating on managers' role to ensure achievement of the organization's objectives indicate that managerial actions play a role in organizational outcomes. Additionally, public sector studies as well as private sector research exploring active management indicate that verbal communication of accounting information can be an important form of management control in addition to formal control systems. However, research still needs to answer how managers use management control mechanisms to balance strategies related to cost-efficiency and quality in the welfare sector. Research about how managers in PE-owned companies use management controls in the welfare sector is scarce, although such managers can be expected to be result-driven. Therefore, the aim of the thesis is to explore how managers in a PE-owned elderly care company use MCS to balance strategies related to cost-efficiency with strategies related to quality. Both the formally designed control systems as well as how verbal communication affects the formally designed MCS will be explored, thereby gaining a deeper understanding of how managers in practice control the organization.

3. METHOD

In this section, we present and motivate the method used in the study. First, section 3.1 explains the research design. Next, section 3.2 describes the data collection process and why a case study approach was chosen. Thirdly, section 3.3 presents the procedure for data analysis and lastly section 3.4 discusses the overall quality of the study in terms of reliability and validity.

3.1 Research design

This section presents the design of the study by describing the empirical method, an in-depth qualitative case study, in section 3.1.1, the abductive research approach in section 3.1.2, and the choice of case company in section 3.1.3.

3.1.1 Empirical method

In order to answer our research question an in-depth qualitative case study has been chosen as empirical method, a common research method in our area of literature (e.g. Ahrens, 1997; Ahrens & Chapman, 2007; Jönsson & Solli, 1993; Kraus, 2007; Llewellyn, 1998b; Mir & Rahaman, 2006; Østergren, 2009). Our choice of method is due to three reasons described below.

Firstly, previous research within our topic is scarce. In such a setting, an explorative study is suitable (Merriam, 1988). As previously discussed, how managers control a welfare company has not previously been focused on to a great extent. Furthermore, literature analyzing how managers in a PE-owned company in the welfare sector use management control mechanisms is limited. Additionally, Scapens (1990) argues that case studies offer "*the possibility of understanding the nature of management accounting in practice*" (Scapens, 1990 p. 264). Thus, through a qualitative case study this thesis aims to generate an increased understanding of the chosen research area, which is not extensively explored.

Next, a qualitative case study method is suitable for our study since our research question aims to explore how managers control an organization rather than merely describe the organization's management control mechanisms (Otley & Berry, 1994). This is also in line with Yin (2014) who states that qualitative approaches are appropriate when research is focused on answering how- and why-questions. Furthermore, Yin (2014) highlights that a qualitative approach is preferred when the study focuses on contemporary events over which the researchers have little control. This is also applicable in our study because we explore a real-life organization, which is not comparable with a laboratory experiment with individual variables open for manipulation. Rather, our setting requires a holistic perspective in order to understand all aspects of the MCS. As we aim to analyze how managers in practice strive to control the organization, a qualitative case approach enables a more holistic view of the case studied and gives a deeper understanding (Andersen, 1998; Merriam, 1988; Otley & Berry, 1994; Yin, 2014). Similarly, a qualitative approach is supported by Dubois & Gadde (2002) when exploring all MCS in a specific setting as they suggest in-depth case studies to best explain the interaction between a phenomenon and its context.

Finally, a single case study method has been chosen rather than a multiple case study design. This is supported by Dubois & Gadde (2002) who argue that deeper investigation of a single

case, rather than increasing the number of cases to allow for statistical inference, is the natural choice when the study concerns analysis of several interdependent variables in complex structures. Similarly, both Andersen (1998) and Yin (2014) state that through a single in-depth case study with many variables it is possible to understand and explain what happens in an organization.

To conclude, despite limiting generalization of findings, we adopt a single case study (Dubois & Gadde, 2002). This method was chosen for three reasons; firstly because there is limited research within our area of study, in which our method may increase the understanding of this topic. Secondly, a qualitative study allows us to take a holistic view in order to gain a deeper understanding of our studied case. Finally, a single case study rather than multiple cases enables a deeper analysis and more in-depth findings.

3.1.2 Research approach

The research approach used in this study takes the form of what is labeled systematic combining by Dubois & Gadde (2002). It is an iterative and abductive process where theory, empirical findings and case analysis are allowed to develop simultaneously throughout the research process. As such, a process of matching was used as suggested by Dubois & Gadde (2002), which is described by Eisenhardt (1989) as *"a frequent overlap of data analysis with data collection"* (Eisenhardt, 1989 p. 538). Furthermore, systematic combining is a non-linear process with the possibility for empirical observations to identify unexpected yet related issues, which are beneficial to explore further in upcoming interviews (Dubois & Gadde, 2002). This in turn might also require a modification of the initial theoretical framework throughout the research process (Dubois & Gadde, 2002; Eisenhardt, 1989).

In our study, theory was reviewed in advance of the data collection process and a preliminary framework was chosen. Moreover, hypothetical findings were drawn out and interview guides were designed. However, as the data collection process proceeded, findings from previous interviews were used to develop updated interviews guides for future interviews. Furthermore, the initial theoretical framework was updated and modified to incorporate additional relevant theories evolving during the data collection and analysis process. The aim of this study is to understand how the management controls are used at a PE-owned elderly care company. Therefore, although acknowledging that external economic, and political interests might also impact the company's operations, the main consideration is internal activities of the case company (cf. Llewellyn, 1998a).

3.1.3 Selection of case company and subunits

To fulfill the aim of our study to analyze how managers in a welfare company control the organization and thereby strive to balance strategies relate to cost-efficiency with strategies related to quality of care, selecting a suitable case company and subunits was crucial (Eisenhardt, 1989). A private equity-owned elderly care company was chosen for the purpose of the study since a PE-owned welfare service company can be expected to be even more result-focused than municipally owned welfare organizations. Thus, studying this type of company opens up for interesting findings regarding how a result-focused actor operates in the welfare service setting. Moreover, as described in previous research, studies focusing on the area of active management

in a PE-owned welfare company are scarce, which makes it interesting to look into this organizational form.

Seen to the above arguments, the organization selected was Ambea, one of the largest privately owned welfare companies in Sweden and owned by the PE firms Triton and Kohlberg Kravis Roberts & Co (KKR). More specifically, the business area within elderly care, Vardaga, was chosen as the focus of the study. Since national laws and regulations to a great extent limit operations within the welfare sector, the study focuses on the Swedish part of Ambea.

Within Vardaga, two elderly care units, Alpha and Beta, were selected by the researchers in order to fulfill the aim of the study. The units were selected since both units have experienced problems within one or several of the areas HR, quality or finance over the past year and have had the same unit manager during this period. Selecting units with previous problems was a deliberate choice in order to gain better insight of managers' roles in situations when leadership has been important. Furthermore, no new management controls have been introduced at the respective units during the period, which provides a rich empirical setting for studying the role of active management usage of the MCS at the chosen units. However, one should note that we had no intention of finding two units representative for the entire company but rather aimed to find units where managerial actions have been and are today important.

3.2 Data collection

This section presents the data collection process and different sources used for collection of data. Multiple sources of data were used to increase the quality of the study (Merriam, 1988; Scapens, 2000; Yin, 2014). First, primary data is presented in section 3.2.1. Thereafter, secondary data is presented in section 3.2.2.

3.2.1 Primary data

The primary source of data in the study has been in-depth interviews, which is in line with suggestions by Yin (2014) and Merriam (1988). In total, 26 interviews have been conducted with 25 persons, lasting between 30 and 120 minutes with an average duration of 70 minutes[4]. All interviews took place between April and August 2014. Interviews were conducted until little new information was received and thereby saturation was reached (Eisenhardt, 1989).

Interviewees were identified gradually during the process with our initial contact, the CFO of Ambea, as a starting point. Furthermore, all hierarchical levels of the organization are represented among the interviewees and the interviewees were selected by the researchers. As the purpose of the study is to analyze managerial actions, it was especially important to gain insight from managers in the organization. In total, twelve corporate level employees were interviewed of which four are part of Ambea's top management. Three other corporate level employees are also considered group level managers since they have group-wide responsibilities for their particular function. Remaining corporate level interviewees are part of group-wide support functions or part of business area Vardaga. Moreover, three managers for elderly care units, three team leaders and seven front-line workers, both nurses and assistant nurses, were

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[4] See Appendix A for a complete list of conducted interviews, detailing interview dates and roles of interviewees.

interviewed. All interviews were held face-to-face at the interviewees' work place i.e. at the different elderly cares and at the headquarters. In sum, three different elderly care units were visited in addition to Ambea's headquarters. The third unit manager was interviewed in order to gain a deeper general knowledge about the role of a unit manager. The participating units are anonymous to allow for an open interview climate and to avoid internal complications from their participation in the study. Also the regions are anonymous in the study, however, due to the company structure they are not anonymous internally.

All interviews were conducted in a semi-structured manner. Additionally, all interviews were recorded, transcribed and printed to enable objective interpretations and analysis of data, as recommended by other researchers (Merriam, 1988; Yin, 2014). The semi-structured manner was found suitable as it combines pre-determined questions, thereby structure, with openness to new questions and insights arising during the interview session (Merriam, 1988). All interviewees were encouraged to exemplify and elaborate on answers in order to further deepen the understanding of responses. During the data collection process, interview forms were updated as new empirical information emerged in order to fit any modifications to the theoretical framework or new empirical themes. All interviews but three were jointly conducted with one researcher taking a more observing role while the other guided the conversation and asked questions. Face-to-face meetings allowed for observing reactions such as body language and facial expressions, which further enabled understanding and interpretation of interviewee responses. After each interview, main findings were summarized and discussed. When needed, interviewees were contacted to clarify certain aspects or answer related follow-up questions.

All interviews were conducted in Swedish, despite the study being written in English, as it is the mother tongue of the researchers as well as most of the interviewees. The exception regards some interviewees at the elderly care units, however, Swedish was still the language deemed to be most appropriate in these cases. Although the choice of language might compromise the quality of certain quotes and may risk leading to translation issues in some cases, we believe using Swedish was important in order to create a more comfortable interview environment. Furthermore, it allowed for more natural and detailed conversations than what would have been possible if English had been used as the interview language. Combined with the semi-structured interview approach, we believe this allowed for a relaxed atmosphere for the interviewees (Yin, 2014).

3.2.2 Secondary data

To further improve the quality of the research design, complementary data was collected in addition to the conducted interviews as multiple data sources allow for triangulation (Eisenhardt, 1989; Yin, 2014). Internal material such as financial data, balanced scorecards for all units included in the study as well as aggregated for the business area, business plans, presentation material and non-financial quantitative data was collected and analyzed. We also gathered external material such as press releases and newspaper articles. All relevant secondary data collected was discussed in relation to interviewee responses in order to further deepen our understanding of the case findings.

Additionally, in connection to conducted interviews, direct observations were allowed. For example, the common areas of the elderly care units were visited and one elderly care unit manager showed action boards with organizational goals the employees collectively had set up for the unit.

3.3 Data analysis

As earlier stated, the data analysis process was conducted simultaneously with the data collection process. By discussing interviewee responses after each interview, emerging themes were possible to identify and the interview questions altered accordingly. Furthermore, two elderly care units were selected to enable analysis of differences in management control between the units.

To aid the data analysis process, all interviews were transcribed. In total, the transcribed material consists of approximately 430 pages, which were printed and read through by both researchers. This to become familiar with each interview on a stand-alone basis and thereby allow for unique patterns to emerge before generalizing patterns across interviews (Alvesson & Kärreman, 2004; Eisenhardt, 1989). Thereafter, the collected data was coded into themes corresponding to if tensions between cost-efficiency and quality of care were observed or not as well as to our theoretical framework i.e. a revised version of Simons' (1995) Levers of Control framework (Miles & Huberman, 1994). Thus, the main themes were comprised of tensions between cost-efficiency and quality of care, beliefs systems, diagnostic control systems, interactive control systems, boundary systems and verbal communication of the formal systems. The classification of different control types was based on management intention of the particular control mechanism. Thereby, for example, controls used solely for standardized output follow-up were classified as diagnostic controls while control mechanisms affecting employee behavior were classified as formal beliefs or boundary systems. After the first coding was done, data not seen as relevant for answering the research question was eliminated in order to further ensure that only relevant information was focused on (Miles & Huberman, 1994).

3.4 Research quality

This section discusses the reliability and validity of the study in order to allow the reader to independently evaluate the quality of our findings (Merriam, 1988; Yin, 2014). A main issue related to these areas is the limited possibility for generalization when conducting a case study (Dubois & Gadde, 2002; Scapens, 1990). Although allowing for in-depth exploration, there is a risk that the findings presented are unique and only relevant in this specific case studied (Eisenhardt, 1989). However, by choosing a single case study approach generalization is per default limited, but instead a deeper understanding of a specific setting is given (Merriam, 1988). Dubois & Gadde (2014) argue that the traditional criteria for reliability and validity are not relevant in abductive research approaches since they are developed for quantitative research. They are further supported by Scapens (1990) who says that the typical interpretation of reliability and validity might not be relevant in case studies, especially when a holistic approach is taken. Nevertheless, in order for the reader to be able to independently evaluate the research quality, these concepts will be discussed below. The reliability of the study is discussed in section 3.4.1 while section 3.4.2 discusses the study's validity.

3.4.1 Reliability of the case study

Reliability concerns the possibility for another researcher to conduct the same study over again, following the same procedures, and by doing so arriving at the same results and conclusions (Fidel, 1984; Merriam, 1988; Yin, 2014). The goal is to minimize errors and biases in the study (Yin, 2014). One drawback of case studies is that human behavior and organizational actions continuously change rather than stay static (Merriam, 1988). Thus, there is a risk of wrongful interpretations of interviewee responses by the researchers (Fidel, 1984), that responses might have been different if other interviewees had been chosen (Alvesson, 2011), and that the same interviewee might answer differently at different points in time (Merriam, 1988). Nevertheless, there are measures to take in order to improve the reliability of a case study. Yin (2014) suggests that systematic and detailed documentation can improve reliability with a good guideline being to conduct research in such a way that an auditor could repeat the process and arrive at the same findings.

To ensure high reliability, several steps have been taken in this study. First, the research process has been documented and saved. This includes interview recordings, corresponding transcriptions, interview notes as well as all versions of the interview questions and all secondary data. Furthermore, a list of all interviewees, their roles and time, place and duration for each interview was created. Additionally, all previous literature used, which was available in electronic form, was compiled and structured to facilitate the theorizing process. Thereby, a digital database with all different data collected was generated and used throughout the study.

3.4.2 Validity of the case study

Validity concerns the extent to which the study investigates what it is said to do (Fidel, 1984) and the degree to which findings of the study correspond to reality (Merriam, 1988). In other words, if the results and conclusions drawn can be trusted given the design of the study. Yin (2014) suggests three tests for judging the quality of the research design that refer to validity: internal validity, external validity and construct validity.

First, internal validity concerns the issue of making inferences (Yin, 2014). Thereby, internal validity relates to how well the case findings link to the purpose of the study and how well those findings capture reality (Merriam, 1988). As touched upon earlier, using interviews as the primary data source risks leading to subjective findings, both regarding interviewee responses and the researchers' data interpretation (Fidel, 1984; Merriam, 1988; Yin, 2014). To improve the objectivity of the study and thereby the internal validity, we applied the concepts of pattern matching and explanation building. Both examples are part of the specific tactics suggested by Yin (2014) to be used during the data analysis process in order to increase internal validity. Both tactics also involve matching predicted results with empirical observations. Thus, in our case study, predicted theoretical insights were continuously compared to case findings and thereafter, if needed, also the framework used for analysis was modified. It may be noteworthy that although many researchers discuss internal validity independent of the type of case study conducted, along the reasoning of Dubois & Gadde (2014) and Scapens (1990), Yin (2014) specifies that internal validity is mainly a concern for explanatory or causal studies and not for descriptive or exploratory studies. Therefore, internal validity is not seen to be a main weakness of this study as it is more of exploratory than of explanatory nature.

Next, external validity refers to the ability to generalize the case findings (Merriam, 1988; Yin, 2014). When conducting a case study, the generalization aimed at is analytical generalization, as opposed to statistical generalization (Yin, 2014). This means that the findings from an in-depth case study should be possible to analytically generalize rather than be statistically robust. Furthermore, it can be argued that an in-depth case study is chosen for the purpose of gaining a deeper understanding of a single case rather than generalizing across many units (Merriam, 1988). Thereby, the appropriateness of the case study research design itself limits the possibility to statistically generalize findings, but in return generates a better understanding, expanded knowledge and increased certainty of a specific case setting and its underlying theory (Merriam, 1988; Scapens, 1990; Yin, 2014). In our study, the aim was to gain a deeper understanding of the studied subunits and not to generalize across many units. Still, we aimed to improve the external validity by using our theoretical framework to guide the analysis.

Finally, construct validity is related to the design of the study through the identification and use of appropriate measures for the concept being studied (Yin, 2014). One way to improve construct validity is to use multiple data sources, which enables triangulation (Eisenhardt, 1989; Merriam, 1988; Yin, 2014). This was done in the study by collecting internal and external documents as a complement to face-to-face interviews. Moreover, Yin (2014) suggests establishing a chain of evidence as another way to increase construct validity. This to allow the reader to understand the process from data collection to analyzed case findings. In our case study, this has been done through the structuring and coding of all collected data. Also, to further improve construct validity, the interview questions used were based on the theoretical framework, a revised version of Simons' (1995) Levers of Control framework.

4. CASE ANALYSIS

First, section 4.1 introduces the organization of this study, Ambea and Vardaga[5], and its strategy as well as the included elderly care units. Moreover, potential tensions between quality and cost-efficiency at the corporate level and at the two units will be discussed. Thereafter, section 4.2 presents how the MCS are designed and used at the corporate level as well as the MCS usage at the two units.

4.1 Introduction to the company and tensions between quality and cost-efficiency

In this section the corporate level of Ambea and Vardaga is presented as well as the two operating level units included in the study. In section 4.1.1, Ambea and Vardaga is briefly introduced, including the corporate structure, strategy and tensions observed between quality and cost-efficiency at the corporate level. Similarly, in section 4.1.2, a general overview of unit Alpha, its strategy and tensions observed between quality and cost-efficiency is presented. Unit Beta is introduced in a similar way in section 4.1.3.

4.1.1 Ambea and Vardaga at the corporate level

Introduction to Ambea and Vardaga

Private equity-owned Ambea is the group company with top management and group functions within IT, HR, Quality, Finance, Marketing & Communication and Tendering. Ambea's business areas consist of Vardaga, which provides elderly care in Sweden, and Nytida, which provides care to disabled people in Sweden. Furthermore, the group includes staffing subsidiaries for doctors, nurses and nursing assistants and a subsidiary providing health care in Finland. As mentioned previously, the study focuses on the Swedish part of Ambea and more specifically on Vardaga, the business area within elderly care. Vardaga has approximately 80 nursing homes in all parts of Sweden with 3000 customers and 4000 employees. Vardaga is led by Head of Business Area Vardaga and a business area management group. The next sublevel consists of a regional manager who leads all units in a specific geographical region. All regional managers are part of the business area management group. Each region also has a regional controller, who assists the regional manager in different follow-up procedures. Both regions included in this study, Region X and Region Y, have the same regional controller. See Figure 2 below for an overview of the organizational structure.

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[5] Ambea and Vardaga is one single organization. However, they are two names for different parts of the Ambea group; Ambea is the group company and Vardaga is one of the group's business areas.
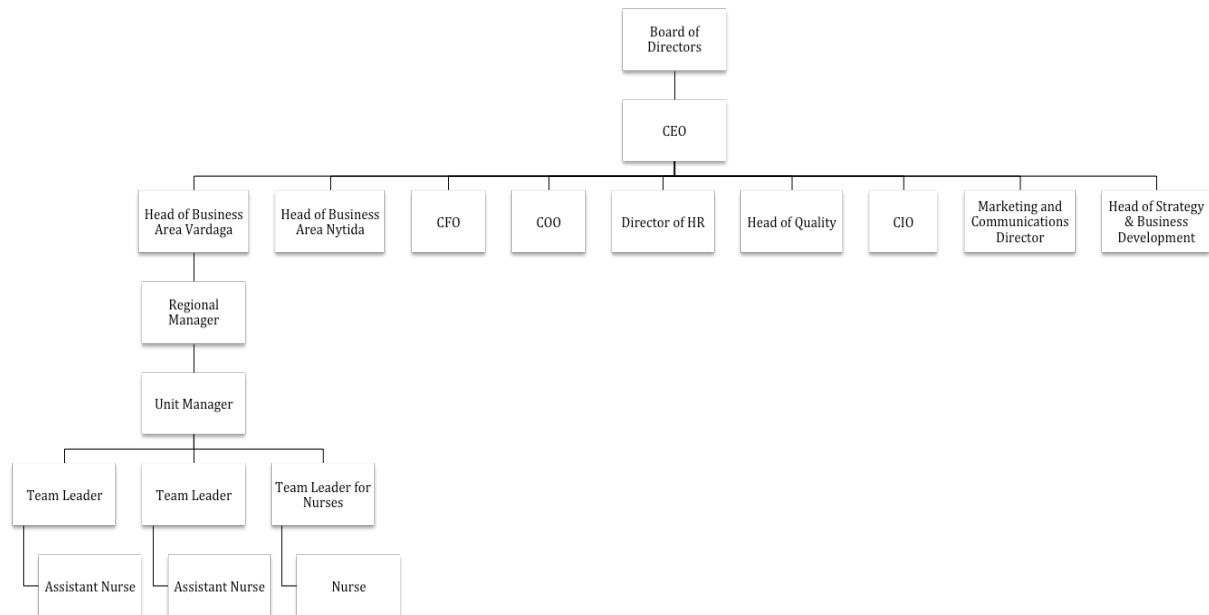
Figure 2. Ambea and Vardaga's organizational structure

Ambea and Vardaga's strategy

In Ambea's internal communication the mission "*Solving society's welfare challenge*" is depicted as the roof of a house with three pillars, which the strategy is divided into. The corporate values are illustrated as the foundation of the house. The first strategic pillar is "*Quality and efficiency - continuously improve quality and productivity in all our processes*", the second pillar is "*People and culture - attract and build leaders and secure next generation of careworkers*", and the third pillar is "*Innovation and growth - capture the need of our customers and gain market share in all segments*".

Members of Ambea's top management group seem to agree that high quality is what drives financial results. For example, the CFO of Ambea describes the financial result as a "*lagging indicator*" after successful or failed leadership. The CFO also argues that being successful in both the quality area and the financial area is essential for Ambea.

"To be honest, for us to have a reason to exist we have to deliver as good and preferably better quality at a lower cost" - CFO of Ambea

The CEO of Ambea illustrates it as a three-way process, where good leadership drives high quality, which in turn drives profits. The strategic initiatives in pillar two and the innovation part of pillar three could thereby be seen as directly related to the "*quality and efficiency*" pillar, since successful implementation should lead to higher quality or efficiency. When it comes to the growth part of pillar three it is indirectly related to pillar one because in order to grow, the company has to deliver the same quality at a lower cost or higher quality at the same cost. To summarize, at an aggregated level the strategy is in the end about delivering preferably higher quality at a lower cost.

Moreover, the CEO describes how he executes the strategy through a financial bridge, which is in line with the three pillars, where all strategic activities are represented by how much each activity increases Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA). In

other words, the financial bridge depicts how much financial value each activity creates for the shareholders. For example, if the company has a long-term plan to increase EBITDA by a certain amount, this should be translated into exactly how much land needs to be bought today, and in which municipalities, in order to reach the strategic goals in the long run. The CEO of Ambea emphasizes this described strategic philosophy and argues that "...*in a private equity-owned company the strategy has to be driven from a value creation perspective*".

Vardaga's strategic goals are overall the same as the corporate strategic pillars but tailored to what the business area needs to do to succeed (Head of Business Area Vardaga). The strategy is structured in a balanced scorecard (BSC) format, with different measures and activities for each strategic pillar. The measures and activities are also matched to the perspectives customer, economy, process and employee in order to ensure a balance between these different perspectives (Head of Business Area Vardaga). In Vardaga's scorecard for 2014, 12 out of 20 measures are tied to the pillar "*quality and efficiency*". However, as Vardaga has the same strategic pillars as Ambea, the same relationship described by the CEO and CFO of Ambea applies to Vardaga as well. Thus, achieving the other pillars can be interpreted as a step towards also achieving the pillar "*quality and efficiency*".

To summarize, Ambea's reason to exist, the way in which Ambea's CEO strives to increase EBITDA, and the strategy are all in the end about being both cost-efficient and delivering at least the same quality of care as competitors do.

Potential tensions at the corporate level
At the corporate level there seems to be a consensus about the interrelationship between quality and financial results. Several interviewees describe the balance between quality and financial results as a co-existence where the two go hand in hand. As mentioned above, the CFO of Ambea argues that in order for Vardaga to have a reason to exist they have to deliver as good and preferably better quality at a lower cost. Consequently, he could be seen to argue that if tensions exist between quality and cost-efficiency, there should at least not be any tensions that cannot be balanced. Another example is the Head of Business Control at Vardaga during the interview illustrating the interrelationship in a graph, where higher quality should lead to improved financial results. Regional Manager Y describes the relationship as follows:

"If you don't have good quality you don't have good financial results either and vice versa. So the first requires the second, and there has to be a balance between them" - Regional Manager Y

Regional Manager X also emphasizes the importance of high quality and says that everybody is well aware of that high quality quickly leads to "*a new customer in bed*", which in turn makes it easier to meet the financial requirements. However, she also acknowledges that unit managers sometimes comment on the focus on financial results and Key Performance Indicators (KPIs). Also the Head of Business Area Vardaga believes that operating managers perceive the focus on financial results to be high:

"I think in general out in the business there is a perception of a very high focus on financial results. I do." - Head of Business Area Vardaga

To summarize, managers at the corporate level do not perceive any tensions between strategies related to quality and strategies related to cost-efficiency and they seem to agree on the importance of achieving both strategic dimensions. Nevertheless, they acknowledge that it might not always seem that way to operating managers.

4.1.2 Unit Alpha

Introduction to unit Alpha
Unit Alpha is located in region X and the Unit Manager reports to Regional Manager X. The unit is within the size span 20-40[6] customers and has approximately the same amount of employees. Alpha has both short-term customers staying for days or months and long-term customers living there permanently. The unit operates under the Act on System of Choice in the Public Sector, which means that the long-term customers live there by choice. The unit has the same strategic goals and measures as the business area but the KPI levels in the BSC are adapted to what is perceived achievable for the individual unit.

Approximately one and a half year ago the unit was performing poorly and a new manager was hired. No new management controls were introduced but the unit is today performing better in several dimensions. When asked about the situation at that point in time the Unit Manager describes inadequacies in several areas:

"It was the financials, it was quality, it was worked hours, it was customer satisfaction index, /…/ employee satisfaction. It was more or less all areas." - Unit Manager at Alpha

Potential tensions at unit Alpha
The Unit Manager at Alpha does not perceive any tensions between simultaneously achieving financial goals and quality requirements. Neither does one of the nurses, member of the management group at the unit, who thinks the requirements are similar to when working for municipally owned units:

"*There are financial constraints on everybody these days. It is not that the municipalities have a gold mine from where they can get resources, but it is the same as for private [units]. This is the money we have and we have to fix things with them.*" - Nurse at Alpha

When discussing potential tensions between financial goals and quality goals, the issue arising instead was high demands on the unit. Team Leader one never discusses any potential tensions between financial goals and quality goals, but instead how difficult it has been to be a team leader working with implementing changes and handling overall high demands on the unit.

To summarize, the operating managers at Alpha do not appear to see any tensions between simultaneously achieving their quality goals and financial goals.

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[6] The number of customers per unit are presented as a range to ensure that units remain anonymous also internally.

4.1.3 Unit Beta

Introduction to unit Beta

Unit Beta is located in region Y and the Unit Manager reports to Regional Manager Y. The unit is within the size span 80-130[7] customers and has slightly more employees than number of customers. Beta has a contract with a city in region Y, which is regulated after the Public Procurement Act. The city has approved the unit to also take in customers from other parts of the region than what the original contract specifies. Thereby, the unit is allowed to actively find new customers. Similar to unit Alpha, the unit is also allowed to accept short-term customers. As for Alpha, Beta has the same strategic goals and measures as the business area but the KPI levels in the BSC are adapted to what is perceived achievable for the individual unit.

The unit has had five different managers over the past eight years with the current manager having been at the unit since year 2011. The unit was also during year 2013 identified to have problems in the strategic dimensions leadership and quality. However, the unit is today not under observation for inadequate strategic performance and similar to unit Alpha, no specific management controls have been introduced at the unit to solve these issues.

Potential tensions at unit Beta

Having both quality goals and financial goals is not something the Unit Manager at Beta perceives as a problem per se and she sees a relationship between the two areas. Team Leader one agrees about a connection between quality and financial requirements:

"The connection is clear to me. /…/ It is not that we should save money. /…/ It requires some planning, just like in a household. /…/ I will give an example. Overlapping. Overlapping is when you have two employees on duty due to breaks and such things. If you have bad planning that [overlapping] is necessary. But we plan each morning how everybody wants his or her breaks and then this overlapping is unnecessary. Then you have an efficient ward that still has high quality." - Team Leader one at Beta

However, despite acknowledging an interrelationship between quality and financial results, the Unit Manager does not think the focus from the corporate level is balanced and believes they too often talk about the financials. Mostly it has to do about strict follow-up regarding KPIs and the budget. Team Leader two agrees with the Unit Manager and perceives the corporate focus to be mainly on financial performance, giving occupancy and staffing KPIs as examples. The Unit Manager also rhetorically asks if financial results are so important that she should *"go out and trip people on the street just to get more customers"*.

To summarize, the managers at Beta understand the need to achieve both quality goals and financial goals, but they think the focus from the corporate level is mainly on financial issues. Thus, there exists a tension between the goals the corporate level managers present as important and the goals the operating managers at Beta perceive to be prioritized at the corporate level.

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[7] The number of customers per unit are presented as a range to ensure that units remain anonymous also internally.

4.2 Management control systems at different levels of the organization

This section discusses how the management control systems are designed and used at different levels of the organization. First, the design and use of the MCS at the corporate level are presented in section 4.2.1; the design of the MCS is applicable to all studied subunits and the actual design will therefore mainly be discussed in this section. Thereafter, the use of the MCS at the two units is presented - unit Alpha in section 4.2.2 and unit Beta in section 4.2.3.

4.2.1 MCS design and MCS in use at the corporate level

This section presents the four levers of control as well as how verbal communication affects the formal control systems at the corporate level. Section 4.2.1.1 discusses diagnostic control systems, section 4.2.1.2 presents interactive control systems, and section 4.2.1.3 includes boundary systems and beliefs systems. The MCS with all different control mechanisms are summarized in section 4.2.1.4.

4.2.1.1 Diagnostic control systems

"I think we have an ambition to make soft indicators tangible" - CFO of Ambea

The CFO's quote summarizes Ambea and Vardaga's ambition to make most aspects of the company's operations measurable, including financial, quality and HR areas. However, both the CFO and the CEO of Ambea also acknowledge that diagnostic measurement of the quality and HR dimensions are areas of improvement. HR and quality are today to a significant degree evaluated after activities performed or as the CEO describes it: *"how hard you work"*. Ambea's measures in these areas are not as objective and comprehensive as its financial measures, and the CEO would like a quality report that "*flashes and says 'look here, something is wrong'*" when there are problems with quality or leadership. As mentioned previously, Vardaga has a balanced scorecard with a relatively even mix of quality and financial measures, which together indicate how successful Vardaga is in achieving its strategy. The measures in the balanced scorecard are assessed in the recurring reporting, therefore, the measures will be discussed along with the report in which each measure is assessed. The following paragraphs discuss the most important reports and meetings used at all management levels for evaluation of diagnostic measures. Thereafter, the usage of the controls will be further elaborated on.

The Weekly Flash, a report for weekly operating financial performance at unit level, is the report the CEO, CFO and several other corporate level managers think is the most important tool for evaluating performance and encouraging the right behavior at operating level. The Weekly Flash is used by managers at all levels of the organization and includes the most important operating, mainly financial, KPIs for each unit, including occupancy at the units and number of hours staffed per care day. These are the two most important KPIs as Vardaga is almost solely reimbursed by occupancy, and staffing often stands for approximately 85% of the operating costs for running a unit (CFO of Ambea). Almost all managers at the corporate level state the importance of these two KPIs. Focusing mainly on financial measures in the flash is a deliberate decision as it is better to have quality in a separate report according to the Operational Excellence Director at Ambea, who was one of the two persons responsible for designing the Weekly Flash. When the reported numbers in the Weekly Flash deviate from the budget, unit

managers are supposed to explain the deviation to their regional manager and regional controller and take action in order to correct it. The most significant deviations are also discussed between managers at the corporate level. However, the CEO, CFO and Head of Business Area Vardaga among others still think there are areas of improvement regarding getting operating managers to actively use the Weekly Flash to adjust operations when performance deviates from the budget. The CFO summarizes the current problem to be an *"education and communication problem"*, meaning a need to educate managers at the operating level in order for them to understand the flash better and a need to develop KPIs that better depict operational challenges. For example, the CEO expresses disappointment about the difficulties in getting operating managers to adjust the units' staffing even after a more pedagogical KPI was introduced indicating how many staffing hours per week that should be reduced or increased.

Performance is also evaluated monthly through Fullkoll meetings between each unit and its corresponding region, through Fullkoll meetings between each region and the business area, as well as through Financial Performance Review Meetings (PRMs) between the business area and top management. In addition to occupancy and staffing, the monthly Financial PRM includes follow-up of KPIs for food costs, costs for incontinence consumables, costs for other consumables and compliance to purchasing contracts. The mentioned operating costs are the most important KPIs for a unit after occupancy and staffing. Additionally, the Earnings Before Interest, Tax and Amortization (EBITA) statement is evaluated at the Financial PRM. Most quality and HR issues are not discussed at the monthly Financial PRM, but instead at a specific Quality & HR PRM each quarter, where solely those types of issues are covered. However, the Quality & HR PRM is not mainly a forum for performance follow-up of diagnostic measures but is rather a forum for strategic development of poorly performing units. The monthly Fullkoll meetings cover the same financial KPIs and general evaluation of financial issues as are covered in the Financial PRM, and according to the managers at Vardaga-level also an evaluation of quality measures are included. For example, Regional Manager X stresses the importance of quality issues and says she always starts a Fullkoll meeting with her unit managers by discussing the development of quality issues, such as if there have been any reported deviations in the quality management system Qualimax. These deviations cover all types of incidents at a unit, both internally and externally reported.

In addition to the recurring weekly and monthly diagnostic reporting there are some important less frequently reported quality and HR measures. Twice a year all units thoroughly go through their routines and procedures for all types of quality and work environment issues. This is called Self-Control and is a way for unit managers and the headquarters to investigate if procedures are in place as intended at the units. The Self-Control results in a self-assessed weighted score with the idea to identify where quality is dropping. In addition to these controls, the Quality Department does inspections at different units each year, where the same questions and areas are covered. The Head of Quality at Ambea describes these inspections as a type of internal audit for quality and says they can be ordered both from the Quality Department itself and from the business area management. The Quality Department also has the authority to perform medical inspections, performed by the medically responsible nurse, where health care procedures are assessed to ensure high-quality care at the units. Furthermore, once a year all units send out surveys to their employees, customers when applicable, and customers' relatives, which are

compiled into employee, customer and relative satisfaction scores. Included in the employee satisfaction survey are questions about the leadership at the unit and an evaluation of the unit manager. All three measures are considered important indicators of quality and leadership and are emphasized by several interviewees both at Ambea-level and within the business area Vardaga.

Variable remuneration is not used as extensively as a couple of years ago when also unit managers could get monetary bonuses. Rather, today variable incentive compensation only applies to selected people in Ambea's group management and a few people at the group-wide support functions. The CEO of Ambea argues that bonus systems are always difficult to get correct and that meeting the budget many times depends on factors other than individual managers' performance. When it comes to salary evaluation for the coming year, Vardaga uses goal-based performance reviews. Evaluation parameters are based on the strategic pillars, the KPIs in the balanced scorecard and observance to the formal core values.

As touched upon earlier, Ambea and Vardaga strives to measure most aspects of financial performance and quality of operations. However, the financial measures are followed up on more often and are generally given more management attention. Several corporate level managers point out a tendency for financial diagnostic measures to dominate. The CFO of Ambea acknowledges the dominance, but also emphasizes the company's work towards improving the quality reporting:

"I think we have worked quite consciously with getting a balance between financial results, HR and quality. We are not completely there yet, but I believe and suspect that we have come a long way." - CFO of Ambea

The CEO of Ambea also acknowledges the dominance of financial diagnostic measures and the need to further develop quality and HR measures:

"Financial KPIs tend to take all the energy and all focus since they are so measurable and it is always possible to identify what is good and bad. But quality and leadership are two other dimensions that are actually much more important /.../ it is a shame that the financial dimension catches one's attention so much. What we have worked with is, from the start really, to concretize the quality and HR dimensions so they become as sharp in the measurements as the financial dimension is. It is not that easy to do." - CEO of Ambea

Relating back to the CFO's initial quote that the company tries to make most things measurable, he also stresses that it is not the reports per se that create value. Rather, verbal discussions and meetings following each report are what create value. The setup that each report is followed by a meeting or verbal discussion means that accounting talk is frequently used in the company to make sense of the different measures. Head of Business Area Vardaga argues that both strategic dimensions should be given attention in these meetings, for example in the Fullkoll meetings. This is also emphasized by Regional Controller X & Y, although acknowledging that his responsibility is first and foremost to follow up on financial performance, which therefore also becomes his personal focus in the Fullkoll meetings. Further, the Head of Business Control at Vardaga stresses the importance of how one presents the reporting to operating managers to improve their perceived balance between financial goals and quality goals:

"We do work with behavior here. /…/ I try to work with communicating it [to operating managers] that we have the same goals and together we have to work towards these [the goals]. And one important part is the financial follow-up, but also to use rhetoric and the right illustrations, and to weave in quality, which also leads to better financials." - Head of Business Control at Vardaga

Shortly after, he gives an example of how to communicate financial issues to welfare professionals by comparing financial restrictions to a household budget:

"…if you talk about it in the right way, household economy, then most people understand." - Head of Business Control at Vardaga

The above quotes exemplify when a relatively good balance is achieved in a meeting. However, for example the CFO of Ambea acknowledges that the Fullkoll meetings in practice tend to be slightly skewed towards the financial dimension:

"There [at Fullkoll] you look at the financials, employees, leadership, quality. But I think there is a slight imbalance in the agenda, which leads to a tendency for the financials to become a bit heavy. The idea is that these things are interlinked and therefore should be discussed in the same forum." - CFO of Ambea

How balanced discussions actually are between the quality perspective and the financial perspective depends on in which meeting and on which level in the organization the discussions take place. Nevertheless, verbal discussions about the accounting in these meetings generally emphasize a more balanced view than the corresponding formal diagnostic report. However, despite verbal communication, or accounting talk, contributing to an increased perception of balance between quality and cost-efficiency, the diagnostic control systems are still slightly skewed towards the financial dimension.

To summarize, managers at the corporate level seem to agree, at least to some extent, that financial measures dominate the current diagnostic reporting. The dominance is more visible in the short-term reporting (weekly and monthly) as the dimensions are more balanced in the long-term perspective. The perceived balance between the strategic dimensions is increased through accounting talk. Still, the diagnostic controls are overall slightly skewed towards the financial dimension. The different diagnostic tools are summarized in Table 1 below.

Report/Meeting	Examples of diagnostic measures	Interval	Focus
Weekly flash	Occupancy, staffing hours per care day, food costs, costs for incontinence consumables	Weekly	Financial
Fullkoll	Weekly flash measures, deviations in quality management system	Monthly	Financial, HR & Quality
Financial PRM	Weekly flash measures, costs for other consumables, compliance to purchasing agreements, EBITA statement	Monthly	Financial
HR & Quality PRM	Deviations in quality management system, leadership	Quarterly	HR & Quality
Self-Control	Work environment, safety procedures, caring routines etc.	Semi-annually	Quality
Employee satisfaction survey	Work environment, personal health, leadership	Annually	HR
Customer satisfaction survey	Customers' satisfaction score	Annually	Quality
Relative satisfaction survey	Relatives' satisfaction score	Annually	Quality

Table 1. Summary of diagnostic control mechanisms

4.2.1.2 Interactive control systems

Interactive control systems at Ambea and Vardaga include both interactive control of group and business area strategies as well as interactive control of specific units' strategies. The first is more similar to Simons' (1995) definition of interactive control systems as it is about the group-wide strategic issues top management focuses its attention on and continuously develops. The latter is also about managers at all levels of the company getting involved in strategic aspects, but for certain individual units. The group-level strategy type of interactive control will be discussed first and thereafter the unit-level strategy type of interactive control will be elaborated on.

The CEO of Ambea describes how he through verbal and other types of communication can emphasize the importance of certain strategic areas where the organization needs to improve. By focusing on one or a couple of specific themes at a time, in the example below procurement for food, he can highlight which areas operating managers should focus their attention on:

"As CEO you have a big flashlight. The advantage is that you can illuminate something and nag about it. We nagged for six months about food costs, because we wanted to see if we could break through the decentralized culture where everybody bought what they wanted. So this is really important that you stick to. You can have a couple of sub-themes within these pillars, but you have to stick strictly to what you are saying. After one year they start to listen and after two years, then maybe the organization understands, 'oh maybe they are serious about this'." - CEO of Ambea

Ambea has lately worked towards improving efficiency of procurement, including food. From being decentralized and decided at each unit, contracts have been negotiated centrally at the corporate level in order to reduce costs. This strategic shift has required significant discussions and fine-tuning of the strategy about how this change should be achieved. The interactive control at Ambea-level for procurement, the main area of interactive control during the previous year, has mainly focused on financial goals. At business area level, Vardaga tries to incorporate both quality aspects and financial aspects in for example the balanced scorecard when working interactively with different issues, in this case procurement:

"That is how we want to work with it [the focus area], both having costs and higher quality in mind" - Head of Business Area Vardaga

Despite Vardaga's attempt to connect the financial aspect to quality improvement, the strategy development for procurement still appears to be more focused on the financial dimension since the main goal is to make procurement more cost-efficient. However, one should note that this is the main interactive process most recently used. It is also possible that interactive control can be focused solely on strategic issues related to quality of operations. Nevertheless, the CEO stating that Ambea's strategic plans have to lead to value creation indicates that the financial dimension still needs to be part of the interactive controls.

For unit-level strategic development, certain units are discussed interactively at the corporate level at the quarterly Quality & HR PRM when facing problems within these areas. The company uses a traffic light system to identify the severity of the targeted units' problems. When no specific issues are identified at a unit it is classified as green. When a regional manager or top

level manager perceives a unit to have problems with leadership or quality it can be flagged as yellow or red at the Quality & HR PRM. When a unit is flagged, the regional manager and the unit manager make an action plan for how the problems should be solved and specific activities needed. At the Quality & HR PRM these activities are then discussed and challenged:

"We try to look at it with a critical eye. Are these activities enough? Do we need different activities? Have you thought about this? We should do it this way. We who are not directly involved in the situation have to look at it that way, a bit critically. Everything in order to make it [the unit] green." - Director of HR at Ambea

Issues identified at the Quality & HR PRM are in turn discussed at the Fullkoll meetings at unit level between the regional manager and unit manager in question. When it comes to financial problems the same is done at the Financial PRM and the corresponding Fullkoll meeting. Not uncommonly is the same unit discussed at both the Financial PRM and the Quality & HR PRM as problems are often interlinked. Head of Business Area Vardaga highlights that these types of discussions about units with identified problems are important for Vardaga in order to ensure both high-quality care and cost-efficiency.

To summarize, the initiated interactive processes at the corporate level have for some time mainly focused on the financial dimension during which the procurement process has been improved, but the Vardaga business area tries to relate procurement also to quality. However, overall the financial dimension is given slightly more focus. For unit-level strategy development it depends on what strategic problem the unit experiences. In many cases, flagged units have problems in two or more of the areas leadership, quality and financial results and focus is consequently put on several dimensions simultaneously. Overall, the interactive control systems are slightly skewed towards the financial dimension.

4.2.1.3 Boundary systems and Beliefs systems

The boundary systems, beliefs systems and verbal discussions about making sense of these formal controls will be jointly discussed in this section as they are partly intertwined. First, strategic boundaries and operating boundaries will be covered. Thereafter, beliefs will be discussed.

Ambea has strategic boundaries restricting strategic development. The company previously owned a Swedish health care division, but according to the CFO there were negative synergies between health care and social care and Ambea therefore decided to divest its Swedish health care business. When owning the health care division it was for a while centrally governed, which was not optimal since county councils in Sweden have their own compensation systems. The CEO says that Ambea learned from the situation at hand that you always have to optimize revenue in each county or municipality or else you will lose money. Ambea has also divested its home care service, as it was not possible to deliver a reasonable quality of care with the compensation received for delivering the service in question. Unwillingness to compromise between quality and profitability is consequently also a strategic boundary for the company.

The operating boundaries at Ambea are not constructed according to what Simons (1995) argues to be most appropriate. Vardaga does not have a code of conduct specifying what one shall not

do but instead has rules and routines stating what one should do. In addition to routines, the company also uses its core values to specify how employees should act. Routines play an important role since most processes in the company have some type of routine regulating how it should be done:

"We have millions of documents on the intranet. We manage a lot through rules and routines. All health care and social care providers are strictly governed by regulations." - Head of Business Area Vardaga

The Health and Medical Services Act and the Social Services Act are the basis for many of the routines Vardaga has within health care and social care. For example, these laws regulate the medical and social care documentation. The company also has routines in many other areas, everything from HR procedures to how trash should be properly disposed of. Thereby, Vardaga strives to ensure consistently high quality of its services by having routines for what should be done. Neither within the financial area does Vardaga have a code of conduct, but it is clear that one should meet the budget:

"We want high commitment to the budget, the budget we have is what you should deliver" - CFO of Ambea

At the corporate level, boundary systems are designed to ensure high quality of the services delivered. Routines are perceived to cover all relevant operational areas and all corporate managers take following routines as a given. Therefore, boundary systems are not extensively discussed verbally at the corporate level.

Ambea has both a value base and core values, where the core values are included in the value base. The value base, excluding the core values, is not mainly a tool for affecting behavior among employees, but rather used for external communication (HR Specialist at Ambea). Internally, the core values are used to affect employee behavior and used in for example salary discussions, performance reviews and as a basis for employee warnings when acting incorrectly (Director of HR at Ambea). The core values are thereby used both as positive inspiring forces and as de facto boundaries, restricting what the employees can do.

Ambea's four core values are: (1) *we make it simple*, (2) *we care and show respect*, (3) *we succeed through cooperation*, and (4) *we are resource-efficient revenue-artists*. Each leader is responsible for acting in line with the core values, being a good example for subordinates and at unit level also educating other employees about the core values. The first three core values are straightforward and all interviewees seem to agree about their meaning. The fourth, however, has rendered in discussions about its meaning and triggered reflection about Ambea's mission – "*Solving society's welfare challenge*". The CEO emphasizes the importance of this core value and relates the value to Ambea's mission:

"...Resource-efficient revenue-artists, a really strange wording that was here long before I started [at Ambea]. But I realized this is <u>exactly</u> [emphasis by CEO] what it is about. We cannot be ashamed about using our resources efficiently because doing so is the only way we in the western civilization can solve one of our biggest challenges." - CEO of Ambea

The CEO acknowledges that the wording of the core value can be perceived as strange, but believes it is also one of its strengths since it triggers discussions throughout the company about its meaning. The Director of HR at Ambea similarly thinks the formulation is good because of the discussions it triggers. At business area level the managers are positive, similar to top management. Head of Business Area Vardaga describes the core value as a way to convey to employees how to *"use the resources we have in a smart way"*. Regional Manager X describes why she thinks it is a good core value and what it means to her:

"I think it [resource-efficient revenue-artist] is great. I do not think it is difficult to understand /.../ Because if you start from [1] we are resource-efficient. Well what are we working with, tax money. We are standing in front of a huge mountain of elderly. All payments will decrease, the price per care day will become lower for each tendering process we participate in, a lot more will be required from us, well then what must we be? We have to be resource-efficient. Partly because we are a public-service company and you have to bring that with you all the time, so you make sure to work as efficiently as possible with the money we have when it comes to consumables, both of food and diapers and everything else. And then [2], being a revenue-artist that is about me taking responsibility all the way. You always have to think, what is it that makes a difference, why should they choose us? 'Just because I work as an assistant nurse, it is not like I take part in contributing to sales.' Well yes, you do so daily. Actually, as soon as you come to work you contribute to sales. Because I mean, the units where you have the highest quality and where you have the most responsible assistant nurses, at those units complaints never even reach the unit manager, they are taken care of directly by the personnel. You make sure that the customers are satisfied and relatives are happy when they leave. And those things are also about sales..." - Regional Manager X

Regional Manager X's explanation of this core value is the most comprehensive answer at the corporate level. Regional Manager Y also agrees with the core value "*we are resource-efficient revenue-artists*" and she supports the wording because it triggers discussions, although being initially skeptical when she first heard the core value several years back.

Despite not always agreeing on the wording of the core values, all interviewees at the corporate level agree with the core values' meanings. Thus, it becomes clear in most interviews that it is not the four core values per se that are important but rather the discussions arising from the formal values, which result in a shared sense of what the core values mean. Regional Manager Y emphasizes the importance of discussing the core values with her unit managers to ensure that all employees understand their meaning. The importance of discussions to convey the meaning of the core values is further stressed by the Head of Business Area Vardaga:

"...it [to actively communicate the meaning] is what is important. And it is very much up to our managers and leaders that they live after these values. It is not the words per se that you communicate." - Head of Business Area Vardaga

To summarize, the formal beliefs are of less importance and instead verbal communication plays an important role in affecting employee behavior through discussions about what is right. From the interviews at the corporate level it becomes evident that the interviewees believe it should be possible to deliver high-quality care while at the same time meeting financial goals. The boundaries are also important and through routines mainly specifying how things should be done, employees are guided to ensure that high-quality care is provided. Although boundaries

mainly cover quality aspects, there is also a financial boundary emphasizing the importance of meeting the budget.

4.2.1.4 Summary of the MCS at the corporate level
Ambea and Vardaga has many diagnostic measures, both for financial follow-up and quality follow-up, but the focus is still weighted towards financial measures, especially in the short-term formal reporting. When also including verbal communication of the measures, the diagnostic controls are not as skewed but focus is still more on the financial dimension. Interactive control processes target both financial and quality aspects but as top management most recently has focused on procurement, the financial dimension has been given more attention in this specific process. There are routines and rules for most operational areas stating what one should do and these are important for ensuring high quality, but the boundary to meet the budget is also strict. Rather than strictly communicating the formal beliefs, the company's core values are used in verbal discussions to create a shared understanding of what the values mean.

All in all, at the corporate level diagnostic financial measures seem to slightly dominate the MCS, although alleviated through more balanced verbal discussions about the diagnostic reporting. On the other hand, the beliefs systems support a perception of being able to achieve both strategies related to quality and strategies related to cost-efficiency. Therefore, taken together, the MCS in use is at the corporate level balanced between the two strategic dimensions.

In order to investigate if the same perceptions and usage of the MCS exist at the operating level, we move on to present how the MCS are used at two elderly care units.

4.2.2 MCS in use at unit Alpha
This section presents the four levers of control as well as how verbal communication affects the control systems at unit Alpha. Section 4.2.2.1 discusses diagnostic and interactive control systems, section 4.2.2.2 presents boundary systems and beliefs systems and section 4.2.2.3 summarizes the MCS with all different control mechanisms.

4.2.2.1 Diagnostic and Interactive control systems
Diagnostic and interactive control systems will below be jointly discussed in order to understand the use of the respective control at Alpha. Additionally, verbal discussions used to make sense of the controls will be elaborated on. First, diagnostic controls are discussed, thereafter, interactive controls are addressed and finally, a summary of both types of controls is presented.

The Unit Manager at Alpha finds the reporting to be relatively balanced between the financial dimension and quality dimension, even though she acknowledges spending more time on financial measures. When asked about the focus of the reporting, the Unit Manager at Alpha gives the following answer:

"...we still have the Fullkoll meeting which covers both quality, financials and several different areas, and which is monthly. Then we also have the Self-Control, which is a thorough investigation of the quality, it is basically only quality. So I think it is good [the balance]." - Unit Manager at Alpha

Team Leader one, the most senior employee at the unit after the Unit Manager, is generally supportive of the Unit Manager's view of how the unit should be run and is all in all positive to the higher demands put on the unit. As mentioned above, Alpha was performing poorly approximately one and a half year ago when the Unit Manager and Team Leader one started working there. Today the occupancy at the unit is more than 10 percentage points over budget and procurement costs have decreased per customer for several items owing to various initiatives. When discussing the Weekly Flash and performance against budget, the Unit Manager is not worried about how to meet the budget targets but rather if Alpha is too efficient.

Alpha did not previously only have problems with financial performance, but almost all important measured quality areas needed improvement as well. Unit Alpha became green-flagged half a year ago from previously being red-flagged in several quality aspects. Thus, performance at Alpha has improved both for quality measures and financial measures, which indicates that both dimensions have been given attention simultaneously. This combined focus can be a supporting factor for why the reporting is perceived as balanced at the unit. However, the diagnostic measures followed up on by the corporate level appear to be skewed towards the financial dimension regardless of the amount of improvement areas needed at an individual unit. Therefore, it is still not evident that the need to improve both quality and financial results is the reason for the Unit Manager to perceive the reporting as balanced. Since the unit manager is a unit's link to the corporate level, to further understand how the MCS are used at Alpha we need to address the cooperation between the Unit Manager at Alpha and the corresponding Regional Manager, the responsible corporate level manager for the unit. Furthermore, the Unit Manager at Alpha's background might also affect her perceived balance and will therefore be briefly discussed.

The Unit Manager at Alpha's background, as responsible for selling beds to municipalities for short-term customers at her previous elderly care unit, has made her used to the need to meet financial goals. This could be an explanation for why she did not initially have a negative view of accounting. However, it is unlikely to be the explanation for why she views the reporting as balanced. Rather, Regional Manager X's presentation of the management controls used and the Unit Manager's perception of what is important might be relevant in order to understand the use of diagnostic and interactive controls at Alpha. Thus, the way in which Regional Manager X verbally communicates diagnostic measures to her unit managers affects the unit managers' perception about what is important to prioritize. Below, Regional Manager X describes how she introduces and educates new unit managers:

"People [new unit managers] are often really stressed about all the systems and budget tools. /.../ But I try to tell them that it is about personal leadership, that you are present at the unit and get to know people /.../ And then I will help you with the practical issues that maybe stand for 20 percent. /.../ But many times it takes up 80 percent of their [new unit managers'] energy and thoughts." - Regional Manager X

In other cases, Regional Manager X stresses the importance of financial issues, but her point is that successful leadership and high quality is needed to deliver good financial results in the long run. This type of reasoning also applies to the recurring diagnostic reporting and seems to be

important in order to create a perception among her unit managers of an equal focus on the strategic dimensions (See for example Regional Manager X's description of Fullkoll on page 29).

Furthermore, when Regional Manager X, Regional Controller X & Y and the Unit Manager interactively discussed strategic improvement areas at Alpha at the time of financial difficulties, the approach was collaborative and solution-oriented:

"I think those meetings are great [Fullkoll]. But only half a year ago it was different and I had a budget with too stretched targets based on the situation at the time. But I still perceived that I got great support [from Regional Manager X and Regional Controller X & Y], we had more brainstorming type of meetings [during Fullkoll] - what can we do to increase or should we close a ward?" - Unit Manager at Alpha

When the financial diagnostic measures were flashing red, the solution was to have interactive discussions instead of merely pointing out the problems. Although the example above pertains to when there were financial issues at the unit, the procedure is the same for the quality dimension. Regional Manager X's emphasis on a balanced interactive problem-solving approach when a unit faces problems appears to have played an important role in forming the Unit Manager at Alpha's view of the reporting.

To summarize, the reporting is regularly followed up on in a balanced way and the Unit Manager at Alpha perceives the reporting to be balanced. In other words, giving the quality dimension and financial dimension equal focus in meetings and discussions is a way of using accounting talk from the corporate level to get the operating managers at Alpha to perceive the reporting as balanced.

4.2.2.2 Boundary systems and Beliefs systems

The boundary systems in use at Alpha seem to be aligned with the formally designed control systems at the corporate level. Thus, there are numerous routines and guidelines specifying appropriate employee actions. Despite agreeing on having good management documents, routines and guidelines, the Unit Manager and Team Leader one describe it as necessary to continuously discuss the rules and routines. Thereby, verbal discussions are used at unit level to convey the meaning and importance of the boundary systems.

Also the meaning of the core values are often brought up and discussed at different meetings at the unit in order to teach employees how to act. Many employees have difficulties with the Swedish language and, therefore, the Unit Manager works with translating the core values into more simple words and ensuring that the meaning is understood and lived. Thus, the Unit Manager at Alpha uses verbal communication to educate her subordinates about what is right, which is especially important at the unit as several employees have difficulties reading and learning the formal core values:

"It has been quite a big project and it is still an ongoing job [conveying the meaning of the core values]. I guess it is something you will never get finished with." - Unit Manager at Alpha

Similar to at the corporate level, the core value getting the most attention at Alpha is "*we are resource-efficient revenue-artists*" as it is the least self-explanatory value. Team Leader one focuses on the resource-efficient part while Assistant Nurse three emphasizes being a revenue-artist when they both give their interpretation of the core value:

"To me it [being a resource-efficient revenue-artist] is that I can go from work every day and feel that I have made a difference. Without having to sacrifice anything and at the same time meeting the budget. It can be such an easy thing as when I am helping a customer, it sounds so-so and I guess the newspapers would twist it to anything, but I do not take fifteen washcloths when I only need two. I take a few at a time. /…/ It is like you do at home, when you make dinner you do not cook potatoes for 30 people when you are two people eating. You have some common sense about how much you need." - Team Leader one

"The absolutely most important thing with being resource-efficient is to take care of our customers so they live for a long time and have it as good as possible. Then the relatives are happy and there are fewer complaints. And the customers too, because when we have an empty bed it costs us a lot. I do not know what to say about hygiene products but it maybe is a truckload of hygiene products a day if we get an empty bed. It might sound harsh, but if we are talking money, that is how it is." - Assistant Nurse three

The need to be smart with the resources at hand appears to be accepted at the unit. Although not all employees seem to know the core values by heart, several times during the interviews different interviewees give examples of actions aligned with the core values. This might be attributed to frequent discussions about the meaning of the core values. Another potential explanation can be an overlap between the formal core values and the employees' personal beliefs about what is right. All employees at the unit, regardless of management level, care about their customers and are energized by a willingness to assist the elderly and this is brought up in all interviews. Additionally, employees at the unit accept the existence of an economic reality, comparing it to their own personal household economy.

To summarize, both boundary systems and beliefs systems at Alpha seem to be aligned with the formally designed control systems. However, this is not mainly due to the formal systems themselves. Rather, continuous verbal discussions about the meaning of both beliefs and boundaries seem to play the most important role in conveying the meaning of the formal systems.

4.2.2.3 Summary of the MCS at unit Alpha

The Unit Manager at Alpha perceives the focus of the diagnostic reporting to be balanced between the quality dimension and the financial dimension. Additionally, interactive controls have also focused simultaneously on development of strategies related to quality and cost-efficiency. The boundaries at the unit are the same as at the corporate level, but at Alpha verbal discussions play an important role in facilitating compliance. Beliefs, which are also mainly made sense of through verbal discussions, encourage a focus on both quality of service and on being cost-efficient.

All in all, the MCS in use at Alpha balance achievement of strategies related to cost-efficiency with achievement of strategies related to quality.

4.2.3 MCS in use at unit Beta

This section presents the four levers of control as well as how verbal communication affects the control systems at unit Beta. Section 4.2.3.1 discusses diagnostic and interactive control systems, section 4.2.3.2 presents boundary systems and beliefs systems and section 4.2.3.3 summarizes the MCS with all different control mechanisms.

4.2.3.1 Diagnostic and Interactive control systems

Diagnostic and interactive control systems will below be jointly discussed in order to understand the use of the respective control at Beta. Additionally, verbal discussions used to make sense of the controls will be elaborated on. First, diagnostic controls are discussed, thereafter, interactive controls are addressed and finally, a summary of both types of controls is presented.

The Unit Manager at Beta perceives the focus from the corporate level to be mainly on financial diagnostic reporting. For example, at the Fullkoll meetings there are often discussions about financial diagnostic measures:

"I perceive that here at Vardaga and Ambea, at least at the Fullkoll meetings that we have, /.../ I am critical now, but they have no apprehension for that it is not possible to always meet the budget this week or month. Even if you have an explanation for it [the deviation]" - Unit Manager at Beta

Furthermore, the discussions are often about financial deviations the Unit Manager considers difficult to affect. Occupancy is not always completely within the Unit Manager's control, but when occupancy falls she is expected to also decrease staffing in order to keep staffing per care day constant. Both the Unit Manager and Team Leader two discuss how they strive to adjust staffing when possible, but it is tough since they have full-time employees who are always promised a certain number of hours, part-time workers who have already been promised hours, and the unit is obliged by its contract to have a certain staffing ratio at each ward. It is therefore difficult to adjust staffing, at least in the short run, when occupancy is volatile and especially when there are one or a few empty rooms at several different wards. When Team Leader two is asked about what she perceives is currently Vardaga's most important focus area she answers *"hours"*, in other words the KPI staffing per care day, which the unit has difficulties adjusting.

Not only staffing is discussed at the Fullkoll meetings and other follow-ups, but also KPIs for various other costs are followed up on. The Unit Manager thinks the discussions can often be about *"small change"* but since they work with people with individual needs varying over time the costs will also vary. The Unit Manager expresses frustration over being questioned about certain cost items when they are slightly above their target levels due to customers with specific needs.

Although more an interactive type of discussion regarding how to improve financial results, another problem according to the Unit Manager is sometimes unrealistic suggestions about how financial problems can be solved:

"And then we have the accountant, or our controller. At the last Fullkoll meeting he had a suggestion: 'But can't you move them [customers] to the empty apartments so we comprise the business? Then we can have less personnel

when one ward is empty.' No, it is not possible because they have their own tenancy agreements..." - Unit Manager at Beta

The Unit Manager's quote can be contrasted against Regional Controller X & Y expressing an ambition to understand the daily operations at the units to be able to suggest feasible solutions and which are tailored to each specific unit's needs.

The Unit Manager's perception of a too high focus on the financial dimension in the diagnostic reporting is illustrated for example through the various examples above. Additionally, when asked a question about her perception of the focus in the reporting, after discussing many of the issues covered above, she only laughs and says *"Do I have to say anything more?"*. This view can be contrasted against Regional Manager Y's description of Fullkoll as a meeting with "*two main lines*", one being follow-up of quality and the other being follow-up of financial performance. In other types of follow-up Regional Manager Y also stresses the importance of having a balance between quality and financial results. However, she also acknowledges that the balance is not discussed recurrently, but mainly when new paths have to be found:

"We constantly live with these two parameters [quality and financial results], it is second nature, it is not that we really discuss the importance of working with both parts and finding a balance there but it is a knowledge that just is there. Then we of course have to discuss it once in a while to find new paths to go but I would say that it [a balance] is always present." - Regional Manager Y

A relevant fact to consider is that the Unit Manager at Beta has previously worked in positions with tight budgets and where financial performance was important, which she also points out several times during the interview. It is therefore unlikely that the Unit Manager initially had a negative view of accounting, which could have affected her view of financial diagnostic measures. Moreover, the Unit Manager at Beta points out that meeting the budget and being measured is natural. Rather, it is the focus on small deviations in the budget and especially deviations due to events out of her control that she opposes. To a question about what can be improved at the Fullkoll meetings the Unit Manager answers:

"Put forward what is positive and most importantly, discuss quality and development. /.../ It would be nice if you for once could leave a Fullkoll meeting and feel that the meeting was nourishing instead of discouraging" - Unit Manager at Beta

Several of the above quotes indicate that also interactive controls at Beta are focused on the financial dimension. The Fullkoll meetings are too much about solving different financial issues according to the Unit Manager.

Furthermore, as previously discussed, top management has identified procurement as an area where cost-efficiency can be improved. Vardaga has in turn tried to connect reduced procurement costs with improved quality (Head of Business Area Vardaga). However, also in this area there seems be a perception from the operating managers at Beta of a financial focus from the corporate level. Once again, it is the inflexibility the Unit Manager at Beta points out and not the idea per se to make procurement more efficient:

"We have the 'black list' for what we purchase outside the contract. The Beta unit is on the list, we have purchased for [SEK] 16,99 outside of the contract. It says straws. That means we have purchased straws outside the contract since the contracted basket does not include bendable straws. /…/ We have patients who really need bendable straws. When I get that in print I just feel..." - Unit Manager at Beta

Moreover, when discussing why the unit was previously yellow-flagged at the Quality & HR PRM, the Unit Manager did not understand the question at all:

"Unit Manager at Beta: Yellow-flagged? For what reason?
Interviewer: It can be for several reasons, it is generally a weighted assessment. You have not talked about this at Fullkoll?
Unit Manager at Beta: No. What you are telling me is Latin, please speak Swedish."

The reasons for the unit to become flagged were a low score in an inspection by the quality department and low scores on the employee satisfaction survey in year 2013. The unit has worked with both issues and written action plans regarding what should be done and the quality problem is today resolved while employee satisfaction is still relatively low. However, what is notable is that the Unit Manager was not aware of that her unit was flagged due the described issues. The Unit Manager has undoubtedly to some degree discussed these issues with her Regional Manager, but she seems to not have been informed about other corporate managers' input since she did not recall being informed about the yellow flags. Although there are different ways to communicate HR, quality and financial issues to applicable units, the Unit Manager at Beta's reaction is interesting because it seemed obvious to the Unit Manager at Alpha that her unit had been flagged.

To summarize, the Unit Manager at Beta thinks there is too much focus on correcting financial deviations she cannot easily affect or focus on minor deviations. The perception by operating managers at Beta is that diagnostic measuring is mainly about achieving financial targets. Furthermore, interactive control at the corporate level seems to affect Beta mainly through a focus on financial improvement, while development of the strategy to ensure high quality at unit level appears to be done mainly at the unit and with less input from the corporate level. Thus, accounting talk from the corporate level focuses more on the importance of financial issues than an importance of balancing the two strategic dimensions.

4.2.3.2 Boundary systems and Beliefs systems

The same boundary systems as those designed and used at the corporate level are also used at Beta. Thus, there is an extensive amount of rules and routines specifying how employees should act in order to deliver high-quality services. Nevertheless, the Unit Manager, Team Leader one, Team Leader two, and some of the employees acknowledge that there is a need to continuously discuss rules and routines in order to keep them alive. Thereby, also at Beta are verbal discussions used at unit level to convey the importance and meaning of the boundary systems, which is highlighted by Team Leader one:

"It is a lot about reminding as well. Remember the importance of documentation. Because for some people it is obvious that you do these things every day, and then they might forget to write it down. There might be a lot of reminding, but it is also in order to keep it alive." - Team Leader one

Similar to discussing the importance of following routines, the core values are discussed and related to how one should act for example at workplace meetings, team meetings and planning days. Having ongoing discussions about the core values is a way to ensure that the core values are understood and lived.

Once again, the core value that is discussed the most and with the most varying opinions about the exact wording is the value "*we are resource-efficient revenue-artists*":

"In my world I translate it to having the same responsibility here as I would have at a municipally owned unit. To make sure that you get the most out of each and every tax crown [SEK]." - Unit Manager at Beta

"For example not taking twenty washcloths when you only need two. It is not about saving money, it is more about being efficient with the things you already have." - Team Leader one

"...that you think about the small things you tell your personnel. They do not know 'how am I supposed to think about that [revenue]' or 'how can I contribute'. /.../ we speak positively about Beta. Then we make people want to move here. That is how it is. /.../ So you try to speak positively [about the unit] all the time, that is also a way of thinking about revenue." - Team Leader two

Similar to Alpha, the need to be smart with the resources at hand appears to be accepted by all interviewees at Beta. There is a consensus about the meaning of all four core values throughout all interviews, which is supported by several interviewees spontaneously giving examples of actions in line with the core values. Still, the interviewees do not always present the exact wording, which is also touched upon by both Team Leader one and two. The Nurse at Beta comments about having fancy words and says that they are generic and applicable for almost any company. Further, she rhetorically asks who would rather make it difficult, not cooperate or not show respect. However, during the interview the Nurse continuously gives examples of actions and opinions in line with all four core values. Thus, she still seems to agree with the meaning of the core values. Also at Beta all interviewees describe their reason for working at the unit to be about care-giving and a passion for helping the elderly, while at the same time acknowledging the need to be smart with available resources when performing their job.

To summarize, both boundary systems and beliefs systems at Beta seem to be aligned with the formally designed control systems. However, this is not mainly due to the formal systems themselves. Rather, continuous verbal discussions about the meaning of both beliefs and boundaries seem to play the most important role in conveying the meaning of the formal systems.

4.2.3.3 Summary of the MCS at unit Beta

At unit Beta, the operating managers perceive the focus from the corporate level to be mainly on financial diagnostic measures. According to the Unit Manager at Beta there is especially too

much focus on deviations she cannot easily affect as well as on minor deviations. Thereby, diagnostic reporting is according to managers at Beta mainly about achieving financial goals. Furthermore, interactive control at the corporate level affect Beta mainly through a focus on financial improvement, while development of the strategy to ensure high quality at unit level appears to be done mainly at the unit and with less input from the corporate level. The boundaries at the unit are the same as at the corporate level, but at Beta verbal discussions play an important role in facilitating compliance. Beliefs, which are also mainly made sense of through verbal discussions, encourage a focus both on quality of service and on being cost-efficient.

All in all, the MCS at Beta do not completely balance achievement of strategies related to cost-efficiency with strategies related to quality, but rather prioritize cost-efficiency. Yet, the perceived imbalance is to some extent decreased by verbal communication of the formal beliefs supporting both strategic dimensions.

5. DISCUSSION

In this section the case findings are further analyzed and contrasted with previous research in order to provide an answer to our research question: *"How can managers in an elderly care company use the MCS to balance strategies related to cost-efficiency with strategies related to quality?"*. First, section 5.1 analyzes the different MCS usages at the corporate level and at the two units. Thereafter, section 5.2 compares and contrasts the two subunits in order to gain a deeper understanding of how the two strategic dimensions can be balanced.

5.1. How managers at the corporate and operating level use the MCS to balance strategic dimensions

This section presents how managers at the corporate and operating level use the MCS to balance cost-efficiency and quality. In section 5.1.1 the corporate level is analyzed, section 5.1.2 covers unit Alpha and section 5.1.3 addresses unit Beta. As the MCS design is identical at all subunits this will only be elaborated on when discussing the corporate level while the usage of the MCS is analyzed in all sections.

5.1.1 How managers at the corporate level use the MCS

Corporate level managers do not perceive tensions between cost-efficiency and quality of care. Achieving both objectives is rather perceived as Ambea and Vardaga's reason to exist. The MCS at the corporate level are balanced between the quality dimension and financial dimension, with management controls ensuring achievement of strategies related to both dimensions.

However, when only considering the formally designed MCS these are skewed towards controlling for the financial dimension. The formal diagnostic control systems, the most developed lever of control, are skewed towards the financial dimension. This is in line with the concept of operational engineering in PE-owned companies (Kaplan & Strömberg, 2009) and an expected high focus on measurable results in such firms. Interactive control systems have historically focused slightly more on development of cost-efficiency strategies rather than quality. The formal beliefs systems and boundary systems support both quality strategies and cost-efficiency strategies; the boundaries are strict, one has to meet the budget and adhere to quality standards, while the formal beliefs are not as strict but still important. To summarize, when only considering the formal management controls at the corporate level, the formally designed MCS are financially focused, mainly due to numerous financial diagnostic measures. Thus, when only considering the formal control systems and especially the controls for short-term performance, the MCS at Ambea and Vardaga risk giving inadequate attention to quality, similar to what Kraus (2007) described in his study about elderly home care providers. However, this is only a sensible comparison if solely taking a short-term perspective and most importantly if one does not also consider how managers make sense of the formal control systems through verbal communication.

Rather than the formal controls being the reason for a perceived balance, the reason for the perceived balance between high quality and cost-efficiency is mainly due to verbal communication of diagnostic control systems and beliefs systems. First, for diagnostic control systems, a meeting or a discussion follows all reporting. The CFO stating that it is discussions

and meetings arising from the reporting that create value, not the reporting per se, indicates that top management believes verbal discussions to facilitate achievement of both strategic dimensions. Several interviewees emphasize striving to achieve a balance between the two dimensions in forums where diagnostic controls are discussed, for example Head of Business Area Vardaga regarding Fullkoll. However, this is not always the case in practice and the focus in discussions about diagnostic measures is still slightly skewed towards the financial dimension. Consequently, even though the use of diagnostic measures is not as focused on the financial dimension if one also considers verbal communication, the diagnostic control systems are still slightly skewed towards controlling for achievement of strategies related to cost-efficiency.

Secondly, through continuous discussions about the meaning of the formal beliefs systems in employees' daily work, a balance between cost-efficiency and quality is highlighted. This is especially illustrated in discussions about the core value "*we are resource-efficient revenue-artists*" and the mission "*solving society's welfare challenge*", in which managers exemplify the importance of delivering a high-quality service while at the same time being cost-efficient. One example of this practice is when the Head of Business Control at Vardaga tries to show the interrelationship in a graph to illustrate that higher quality leads to improved financial results. Thereby, the beliefs systems, which are mainly made sense of through verbal discussions, convey a message of the need to balance quality and cost-efficiency.

In summary, when incorporating accounting talk, the diagnostic control systems are still slightly skewed towards the financial dimension. This also holds for the interactive control systems. The boundary systems are balanced and the usage of formal beliefs in verbal discussions supports both achievements of strategies related to cost-efficiency and achievements of strategies related to quality. All in all, the MCS are balanced because while the use of diagnostic measures emphasizes achievement of financial goals, the beliefs about what is right highlight the need to focus on both quality and cost-efficiency. Relating back to the research question, at the corporate level the dual strategic dimensions are balanced through the usage of verbal communication to make sense of the formal control systems.
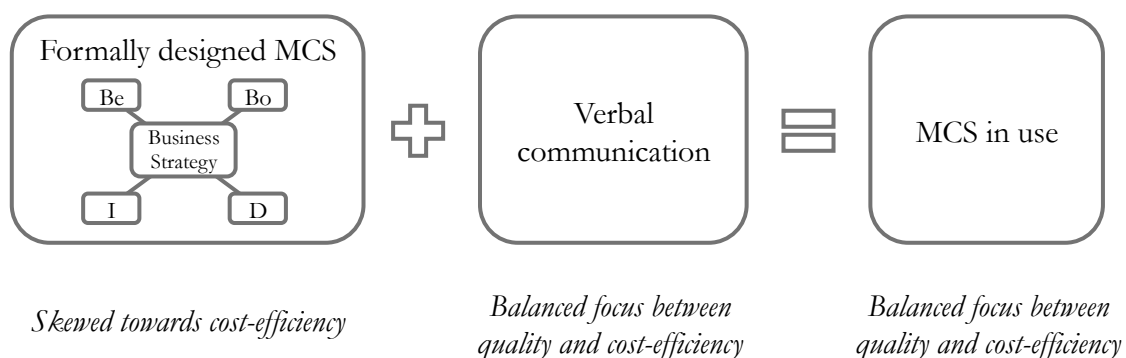

Figure 3. MCS in use at the corporate level

At the corporate level of Ambea and Vardaga, our findings support Hall's (2010) argument that the relevance of accounting information is not only based on its content but also on the way it is used in verbal communication. Moreover, our findings are in line with previous private sector

case studies indicating that verbal discussions are important in order to make sense of the formal accounting-based controls (Ahrens, 1997; Ahrens & Chapman, 2007; Collier, 2005; Jordan & Messner, 2012). Similar to Jönsson & Solli's (1993) study exploring initial NPM reforms in the Swedish welfare sector, our case finds that managers in the welfare sector today actively use verbal communication to make sense of the formal controls. Moreover, our findings show that the corporate level managers do not see any problems with delivering both cheaper and better care (cf. Jönsson & Solli, 1993) and use verbal communication to convey the importance of achieving both strategic dimensions. Additionally, we find that not only verbal communication of accounting information is important but also verbal discussions about the formal beliefs and boundary systems are important. This can be related to the case findings of Dent (1991) and Collier (2005), which indicated that verbal communication is not only about making sense of diagnostic control systems but also used to create a shared understanding of the corporate values.

Nevertheless, although the findings at the corporate level illustrate a reliance on verbal communication to ensure achievement of the corporate strategies, operating managers' perception also needs to be taken into account to understand the effect verbal communication has on conveying the meaning of the formal control systems. This is supported by previous studies exploring the role of accounting talk since they include interaction between managers and their subordinates (cf. Ahrens, 1997; Ahrens & Chapman, 2007; Jordan & Messner, 2012). Therefore, we next turn to the MCS in use at the operating level and analyze how the control systems at the two elderly care units are affected by corporate level managers' use of verbal communication.

5.1.2 How managers at Alpha use the MCS

At unit Alpha the managers do not perceive tensions between quality and cost-efficiency and some consider the situation to be similar to working for the municipality.

The usage of boundary systems and beliefs systems at unit level is balanced. However, beliefs and boundaries are not primarily conveyed through the formal systems. Instead, continuous discussions at the unit about the meaning of the core values and routines create a shared sense of what is right and wrong. Regarding how the formal beliefs are communicated to the Unit Manager at Alpha from the corporate level, Regional Manager X has a distinct view of what is needed for a unit to succeed and uses verbal communication to steer Alpha in the direction she believes to be right. She emphasizes the importance of succeeding both in the quality dimension and the financial dimension, illustrated for example in her discussion about the core value "*we are resource-efficient revenue-artists*" (See Page 35).

The operating managers consider both the diagnostic and interactive use of diagnostic measures to be balanced between quality and cost-efficiency. The operating managers' perception regarding diagnostic and interactive controls can be explained by how the corporate level has made sense of these controls through verbal communication, i.e. through accounting talk. When following up performance diagnostically, Regional Manager X emphasizes the need of a balanced discussion about quality and financial results, for example in the Fullkoll meetings. The importance of a simultaneous focus on both dimensions also applies to when there is need for

interactive strategic development, which was the case for Alpha when the unit was performing poorly. Furthermore, Regional Manager X tries to shift new managers', which the Unit Manager at Alpha was one and a half year ago, focus towards first learning about the operations and thereafter focusing on practicalities, for example the financial reporting.

In summary, corporate level managers emphasize a balance between the financial dimension and the quality dimension in verbal discussions with Alpha about diagnostic and interactive controls, and the operating managers perceive these controls to be balanced. The boundary systems and beliefs systems are also perceived as balanced at Alpha and their meanings are conveyed to the operating managers through verbal communication. At unit level, the formal beliefs and boundaries are similarly mainly made sense of through verbal discussions. Relating back to the research question, at Alpha, similar to at the corporate level, the dual strategic dimensions are balanced through the use of verbal communication to make sense of the formal control systems.

Skewed towards cost-efficiency   *Balanced focus between quality and cost-efficiency*   *Balanced focus between quality and cost-efficiency*
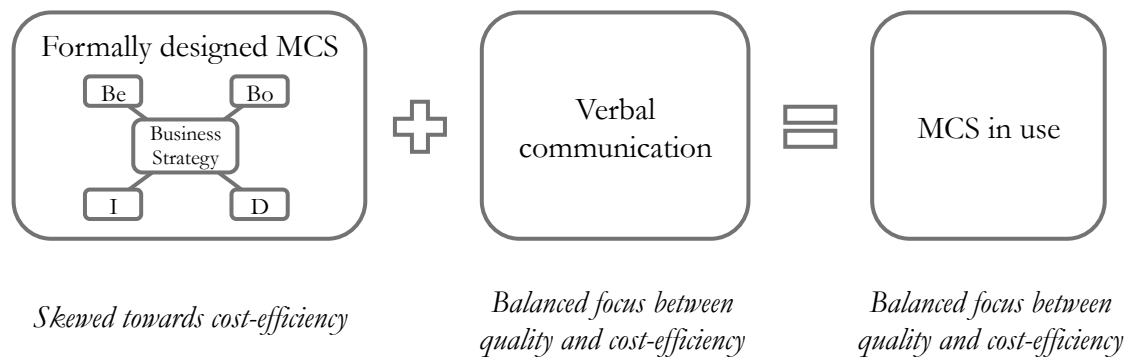
Figure 4. MCS in use at Alpha

The way in which verbal discussions are used by corporate level managers, mainly Regional Manager X, to ensure that Alpha succeeds with its strategies, is in line with Hall's (2010) view that the relevance of accounting information is not only based on its content but also on the way it is used in discussions. Furthermore, our findings confirm previous private sector studies (Ahrens, 1997; Ahrens & Chapman, 2007; Collier, 2005; Jordan & Messner, 2012) and public sector studies (Jönsson & Solli, 1993) that verbal communication can be used to make sense of the formal accounting-based systems. Additionally, how the corporate level uses verbal communication to convey the importance of achieving both strategic dimensions to operating managers seems to matter. Jordan & Messner (2012) indicated that tensions can arise if operating managers do not agree with the prioritization from top management in the follow-up of diagnostic measures. However, as corporate level managers and the operating managers at Alpha agree on a perceived balanced focus in verbal discussions, there are no tensions observed at this unit. Consequently, in the Alpha case, verbal communication seems to have facilitated a view that is it possible to deliver both cheaper and better care (cf. Jönsson & Solli, 1993). This can be attributed to both discussions about the diagnostic measures and discussions about the core values acknowledging the need for a simultaneous focus on quality and cost-efficiency (cf. Collier, 2005; Dent, 1991).

5.1.3 How managers at Beta use the MCS

At unit Beta the operating managers do not perceive an inherent conflict between simultaneously achieving financial goals and quality goals. However, the Unit Manager and other managers at Beta believe the corporate level is too focused on financial issues in their communication with the unit and that the current focus from above in several instances is not coherent with the objective of providing high-quality services. Consequently, there is a tension between what the operating managers perceive to be an appropriate focus and what they perceive the corporate level to focus on.

No major differences are observed between Alpha and Beta regarding the use of boundary and beliefs systems; discussions about the meaning of these formal controls to a significant extent replace the formal control systems at unit level. Regarding how the formal beliefs are communicated between the corporate level and the unit, Regional Manager Y emphasizes the importance of discussing the meaning of the core values with her unit managers. Especially "*resource-efficient revenue-artists*" is a value and wording she sees necessary to discuss as its meaning is not self-evident. Thereby, verbal communication from the corporate level of the formal beliefs is used to emphasize the importance of jointly focusing on cost-efficiency and quality.

The operating managers at Beta perceive diagnostic controls as mainly focused on financial follow-up. Furthermore, the perception by the Unit Manager at Beta is that also interactive controls from the corporate level mostly concern financial discussions. The operating managers perceive corporate level managers to often bring up financial results in discussions, for example focusing on correcting financial deviations not easy to affect or focusing on minor deviations. Thereby, verbal discussions about diagnostic measures lead the operating managers to perceive financial results to be what is important in the formal diagnostic and interactive control systems. However, Regional Manager Y says she believes quality issues and financial issues to be equally important. She emphasizes their interdependence and similar to other corporate level managers believes that high quality is necessary for achieving good financial results. Furthermore, Regional Manager Y describes the Fullkoll meeting as having two main lines, the first being quality issues and the other financial issues. Thus, her intention with this meeting is to integrate quality and financial results in discussions and not solely focus on one or the other. Nevertheless, communicating the need for a balance between quality and financial results is not something Regional Manager Y perceives to be prioritized because she believes the need for balance is self-evident. The above descriptions illustrate different views from the Unit Manager at Beta and Regional Manager Y regarding verbal discussions at follow-up meetings as well as the focus of the reporting.

To summarize, the boundary systems and beliefs systems are perceived as balanced at Beta and are at unit level mainly made sense of through verbal communication. Furthermore, the importance of a balanced focus between quality and cost-efficiency is emphasized in verbal communication of the core values from the corporate level. Corporate level managers also emphasize the importance of a balance in the diagnostic measures followed up on, however, operating managers at Beta perceive diagnostic and interactive controls to be mainly focused on the financial dimension. Nevertheless, verbal discussions about the formal beliefs to some extent decrease the conveyed focus on financial results arising from accounting talk. Relating back to

the research question, also for Beta do corporate level managers state the need to balance the dual strategic dimensions by verbally communicating the meaning of the formal control systems. However, the operating managers at Beta do not fully perceive this to be the case but rather perceive the focus to be skewed towards cost-efficiency.

Skewed towards cost-efficiency　　　　*Focused on cost-efficiency*　　　　*Focused on cost-efficiency*
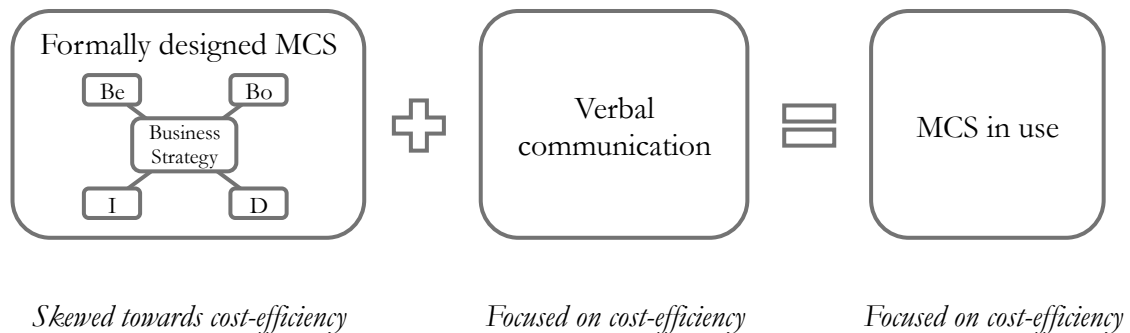
Figure 5. MCS in use at Beta

Comparing the findings to Hall (2010), also at Beta it is evident that the relevance of accounting information is not only based on its content but also on the way it is used in verbal communication by corporate level managers. However, accounting talk has in this case rather led operating managers to perceive the MCS as less balanced than the other way around. Yet, verbal communication is still used to make sense of the formal accounting-based controls, which is in line with previous private and public sector research (Ahrens, 1997; Ahrens & Chapman, 2007; Collier, 2005; Jordan & Messner, 2012; Jönsson & Solli, 1993). Jordan & Messner (2012) indicated that tensions can arise if operating managers do not agree with the prioritization from top management in the follow-up of diagnostic measures. This is supported by the findings at Beta as a disagreement between the Regional Manager and the operating managers exists regarding the prioritization in follow-up meetings, which in turn seems to contribute to tensions arising at the unit. Regarding verbal communication of the formal beliefs and boundaries, the findings at Beta correspond to the findings at Alpha; verbal discussions about the formal beliefs indicate that managers do perceive it as possible to deliver both cheaper and better care (cf. Jönsson & Solli, 1993). Thereby, verbal discussions about the core values have contributed to a culture at Beta of acknowledging the need for both quality and cost-efficiency (cf. Dent, 1991), regardless of the focus in diagnostic and interactive follow-up meetings.

5.2 How the MCS in use at Alpha and Beta handle dual strategic dimensions differently

The different observations at the two subunits makes it interesting to jointly analyze the results in order to gain a deeper understanding of how managers use the MCS when striving to balance strategies related to quality with strategies related to cost-efficiency. As both the corporate level and unit Alpha seem to effectively balance the dual strategic dimensions, the focus of this discussion will be on the observed differences between unit Alpha and unit Beta.

Among operating managers at both units we observe an understanding of the need to achieve both high-quality care and cost-efficiency. Also, both Regional Managers say they strive to cover

both dimensions in meetings and discussions with their unit managers. However, it is apparent that Alpha and Beta perceive the focus of these meetings differently. This is particularly the case at the Fullkoll meetings, which is the most important forum between corporate level managers and unit level managers for interactive and diagnostic follow-up.

This is not due to different formal MCS being followed up on in these meetings, the formal reports are identical, but instead dependent on the issues covered at the meetings and how these issues are discussed. It is verbal communication that in one case facilitates a perceived balance between quality and cost-efficiency, while in the other case verbal communication rather contributes to a perceived focus on cost-efficiency. Consequently, this illustrates that not only is the use of verbal communication important to make sense of the formal control systems, but also that how corporate level managers communicate with their subordinates affects operating managers' perception of a balance or imbalance between the strategic dimensions.

The different responses at Alpha and Beta support Jordan & Messner's (2012) private sector findings about the importance of operating managers agreeing with the perceived prioritization from the corporate level in order to avoid tensions arising. This can be even more problematic in the welfare sector due to this sector often being driven by beliefs and a feeling of social mission (cf. Lapsley, 2008; Llewellyn, 1998b). Hence, accounting talk has to been done in a way that facilitates a shared understanding and agreement of the strategic focus or else the discussions risk leading the organization in the wrong direction. In a welfare sector context, this shows that managers can use verbal communication of the formally designed MCS to control the organization without creating any tensions between delivering cheaper and better care (cf. Jönsson & Solli, 1993), but also that the usage can lead to tensions arising.

To conclude, in the case about Ambea and Vardaga, we find that managers use verbal communication to make sense of the formally designed MCS when striving to balance strategies related to quality with strategies related to cost-efficiency. However, regardless of the focus in the formally designed MCS, managers' use of verbal communication needs to support a balanced focus between all strategic dimensions. If not, no matter the design of the formal control systems, a misuse of verbal communication risks leading to a skewed strategic focus.

On a more general level, verbal communication can impact organizational outcomes. This is what Hall (2010) called for more research on, and our case illustrates that the formally designed MCS can be different from the MCS managers in practice use due to verbal communication. If our case findings are valid also for other organizations, one cannot mainly focus on the formally designed control systems in management control research. When analyzing management control in organizations using for example Simons' (1995) Levers of Control framework, this means one has to include the effect of verbal communication in addition to analysis of the formally designed control systems. Management control then not only becomes about the formal information-based systems, but also about how the systems are made sense of through verbal communication.

6. CONCLUSION

The aim of the thesis was to explore how managers in a private equity-owned welfare service organization use management control systems to balance dual strategic dimensions. This was conceptualized through the research question: *"How can managers in an elderly care company use the MCS to balance strategies related to cost-efficiency with strategies related to quality?".* Thereby, this study contributes to the understanding of how managers in a welfare organization in practice use management control systems, an area that has not to a great extent been researched.

To answer our research question we used a revised version of Simons' (1995) Levers of Control framework as a skeletal framework. The framework was extended to incorporate how managers use verbal communication to make sense of the formal control systems (Hall, 2010).

The analysis of the MCS at Ambea and Vardaga concluded that both at the corporate level and at the two elderly care units the same formally designed MCS existed. Also, verbal communication was extensively used to make sense of both accounting-based systems (Hall, 2010), i.e. interactive and diagnostic controls, as well as the other control systems. First, regarding the accounting-based systems, we found that verbal communication was important to make sense of the formal accounting systems at all management levels of the organization, similar to Jönsson & Solli's (1993) early study about NPM in the Swedish welfare sector. Our findings also confirm previous private sector case study findings regarding the importance of verbal communication to make sense of accounting information (Ahrens, 1997; Ahrens & Chapman, 2007; Collier, 2005; Jordan & Messner 2012). Secondly, verbal communication was also important to make sense of the formal beliefs and boundary systems at the corporate level and at the two units. Mainly through discussions about the core values, employees throughout the organization adopted a belief of being able to deliver high-quality care while at the same time being cost-efficient (Dent, 1991; Jönsson & Solli, 1993).

The formally designed MCS were skewed towards the financial dimension at the corporate level, but the importance of being both cost-efficient and delivering high-quality care was emphasized through verbal discussions and the MCS in use were therefore balanced. Nevertheless, despite having the same formal MCS as the corporate level, the perception among operating managers at the two elderly care units differed as a result of verbal communication of the diagnostic and interactive controls. At unit Alpha the reporting was perceived as balanced between quality and cost-efficiency, similar to at the corporate level, while at Beta the reporting was perceived as focused on cost-efficiency. In other words, the way in which information about diagnostic measures was communicated led to different perceptions at the two elderly care units regarding the focus from the corporate level. Thus, our study not only illustrates the importance of using verbal communication to make sense of the formal systems, but also that how corporate level managers communicated with their subordinates affected operating managers' perception of a balance or imbalance between the strategic dimensions. Our results support the private sector findings of Jordan & Messner (2012) regarding the importance of a shared understanding and agreement of the strategic focus between corporate and operating level managers. This is important to avoid the risk of discussions leading the organization in the wrong direction. In a welfare sector context this is at least as important as in the private sector, if not more important,

given that professionals in this sector are often driven by social beliefs (cf. Lapsley, 2008; Llewellyn, 1998b). Taken together, our case findings show that managers can use the MCS without creating any tensions between delivering cheaper and better care (cf. Jönsson & Solli, 1993), but also that tensions can arise from the usage, depending on how operating managers perceive the strategic focus from the corporate level.

To conclude, even though the formal MCS were skewed towards the financial dimension, at the corporate level and at Alpha, the MCS were made sense of through verbal communication so that managers in a balanced manner pursued strategies related to cost-efficiency and strategies related to quality. Conversely, at Beta, the operating managers perceived the corporate managers' focus to be mainly on the financial dimension and verbal communication consequently led to a focus on cost-efficiency.

Our case findings contribute to research about control in the public sector by exploring how managers actively use control mechanisms to balance objectives related to caring with objectives related to accounting. The findings shed light on a case where the use of verbal communication to make sense of the formal MCS needed to simultaneously focus on quality and cost-efficiency in order to avoid tensions arising between these dual strategic dimensions. On a more general level, the case findings illustrate how verbal communication can lead to different usages of the formally designed management control systems. These are intriguing findings and more research is needed on how managers affect the MCS in use when the formal MCS are identical.

6.1 Limitations and suggestions for future research

When considering the findings of this paper one has to take our methodological limitations into account. We have conducted a single case study to gain understanding of how managers in a welfare sector organization balance strategies related to cost-efficiency with strategies related to quality. As discussed in the method section, although the case study method applied allows for exploration and deeper insights, such a method might decrease the generalizability of the findings. Moreover, empirical data was mainly gathered through interviews, which makes it difficult to perfectly replicate the empirical findings. Interviewee responses potentially varying over time as well as incorrect interpretations by the authors entails the risk of affecting empirical findings. Nevertheless, to strengthen the reliability of the study, a structured process was applied for collection and analysis of data. Finally, another limitation is the fact that only two subunits were included, which leads to the risk that our case findings are specific for the studied units and thus not representative for the organization in general.

For future research, we believe that the understanding of how verbal communication affects operating managers' perception of a balanced focus between quality and cost-efficiency would benefit from additional case studies. Moreover, how the balance between cost-efficiency and quality develops over time is interesting to analyze through a longitudinal study; it would be interesting to follow the perceived focus in verbal discussions, for example in the Fullkoll meetings, over time as the balance is likely to fluctuate depending on a certain units' concerns at the moment. Additionally, being able to participate in Fullkoll meetings during an extended time period would allow for direct observations regarding managers' reactions and responses and is a good complement to opinions depicted in in-depth interviews in order to further understand the

interaction between the corporate level and operating level. Finally, it would be interesting to study managers' use of MCS and verbal communication in another type of welfare service organization to allow for investigation of how managers' use of MCS is affected by ownership structure. This can for example be done by performing a comparative study between privately and publically owned welfare service organizations.

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APPENDIX

Appendix A: Interview respondents

Interview	Date	Title	Organization	Length	Unit
1	April 16th	CFO	Ambea	80 minutes	
2	May 9th	CFO	Ambea	90 minutes	
3	May 23rd	Head of Quality	Ambea	90 minutes	
4	May 23rd	Head of Business Area	Vardaga	90 minutes	
5	May 23rd	Head of Business Control	Vardaga	90 minutes	
6	May 27th	CEO	Ambea	80 minutes	
7	May 28th	Director of Human Resources	Ambea	90 minutes	
8	May 28th	HR Specialist	Ambea	90 minutes	
9	June 2nd	Regional Manager	Vardaga	60 minutes	
10	June 10th	Regional Manager	Vardaga	100 minutes	
11	June 19th	Unit Manager	Vardaga	120 minutes	Alpha
12	June 23th	Team Leader one	Vardaga	60 minutes	Alpha
13	June 23th	Assistant Nurse one	Vardaga	30 minutes	Alpha
14	June 23th	Assistant Nurse two	Vardaga	30 minutes	Alpha
15	June 23th	Assistant Nurse three	Vardaga	60 minutes	Alpha
16	June 24th	Unit Manager	Vardaga	100 minutes	Beta
17	June 24th	Group Controller	Ambea	90 minutes	
18	June 24th	Operational Excellence Director	Ambea	90 minutes	
19	June 25th	Nurse	Vardaga	60 minutes	Alpha
20	July 8th	Assistant Nurse one	Vardaga	30 minutes	Beta
21	July 8th	Assistant Nurse two	Vardaga	45 minutes	Beta
22	July 10th	Team Leader one	Vardaga	50 minutes	Beta
23	July 10th	Nurse	Vardaga	45 minutes	Beta
24	July 14th	Unit Manager	Vardaga	90 minutes	Charlie
25	July 22nd	Team Leader two	Vardaga	60 minutes	Beta
26	August 28th	Regional Business Controller	Vardaga	60 minutes	