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# Making Sense of MCS

## A case study on how MCS become enabling or coercive through sensemaking, sensegiving and sensebreaking in a decentralized firm

**Abstract**

How does a management control system (MCS) come to be perceived as enabling or coercive (Ahrens & Chapman, 2004)? Although previous research has shown this to result from how actors make sense of the features of MCS (Englund & Gerdin, 2015), it has disregarded the special role of the middle manager as an intermediary (Floyd & Lane, 2000), channelling control from top management to operational staff. Using the theory of sensemaking (Weick, 1995), we attempt to shed light on this issue through a single case study with two embedded, contrasting cases in two divisions of a decentralized firm, Conglom. We show how middle managers' sensemaking of MCS affects how they use the system for controlling operational staff, as the different sensemaking efforts result in various sensegiving- (Gioia & Chittipedi, 1991) and sensebreaking efforts (Pratt, 2000), which come to impact how the controlled operating staff make sense of the MCS. This, in turn, leads to diverging perceptions of the MCS as coercive or enabling among the operational staff. Whereas middle managers in the division CarinspectCo used MCS in a way that conflicted with some of the operating staff's view of their role in the organization, managers in the WholesaleCo division could align their use of MCS with operating staff's views through knowledge integration (Wouters & Roijmans, 2011). This alignment resulted in what we denote *MCS coherence*, as the aligned views allowed a coherent use of MCS between hierarchical levels, leading to the MCS being perceived as enabling by the operating staff controlled. In contrast, CarinspectCo showed *MCS incoherence* as middle managers' MCS use stood in conflict with the view of operating staff, leading to coercive perceptions.

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# 1. Introduction

*"VAMS [the main MCS] is something division management and top management shake hands on. […] The idea is that division management should be able to take it down into the organization and explain why, why do we want this? Why should you, Kalle, contact these suppliers, how can that make our company better today? Of course, this probably differs between the divisions, how far it gets. But our hope is that it permeates the organization all the way down, that they understand why they perform their work."* – Group controller (Conglom)

In this study, we investigate the concept of enabling and coercive uses of management control systems (MCS) (Ahrens & Chapman, 2004; Jörgensen & Messner, 2009) in the specific context of a decentralised organization. More specifically, we study the sensemaking processes (Weick, 1995) that lead to a MCS being perceived as enabling by middle managers and operating staff, and how the sensemaking processes of these two groups come to influence one another.

The quote above served as a spark for the orientation of this study, by bringing together the empirical context of a decentralized firm and the domain of enabling and coercive control (Ahrens & Chapman, 2004). The quote starts by highlighting the role of middle managers as intermediaries, by showing their role in channelling control from top management to operations (Floyd & Lane, 2000; Balogun & Johnson, 2004) in a decentralized firm. The final sentence then links this to the concept of enabling use of MCS, as it emphasises the need for those controlled by a MCS to understand why their work matters – the middle manager should work towards this, i.e. use the MCS in a way that is enabling to those controlled (Ahrens & Chapman, 2004). This study seeks to understand this connection using the theory of sensemaking (Weick, 1995; Maitlis, 2005), as the perceptions of MCS as enabling or coercive have been argued to follow from how actors make sense of the MCS (Jordan & Messner, 2012; Englund & Gerdin, 2015).

Theoretically, the motivation for this study has its roots in the discussion of enabling and coercive uses of MCS – that the system should be an enabling tool supporting the worker using it, rather than merely a coercive control device for top management (Ahrens & Chapman, 2004; Wouters & Wilderom, 2008). Using four features defined by Adler & Borys' (1996) in their work on bureaucracies, Ahrens & Chapman (2004) showed how MCS can be used to mobilize local knowledge and experience in a way that makes the users of the system view it as supportive of their work, rather than as a monitoring system for top management control. Following this initial study, these four features – ability to *repair*, *flexibility* in use, *internal transparency* and *global transparency* – have been reoccurring tools for analysing enabling control in terms of both design (Wouters & Wilderom, 2008; Wouters & Roijmans, 2011), implementation (Jordan & Messner, 2012) and use of controls (Jörgensen & Messner, 2009), even to the point where the features have come to define the very concept of enabling control (Van der Hauwaert & Bruggeman, 2013).

Studies using the features of Adler & Borys (1996) in the context of MCS have increasingly come to note that users' perceptions of MCS are what render them enabling or coercive (Wouters & Wilderom, 2008; Wouters, 2009; Jörgensen & Messner, 2009; Wouters & Roijmans, 2011; Jordan & Messner, 2012). In a later study emphasising this perspective, Englund & Gerdin (2015) link these perceptions to *how users make sense of MCS*, implicitly introducing the domain to the theory of sensemaking (Weick, 1995; Maitlis, 2005). Sensemaking theory centres on how an actor simultaneously shapes and is shaped by his surroundings (Weick, 1995) in the process of perceiving and interpreting what happens around him, to plan a suitable response for it (Weber & Glynn, 2006; Maitlis, 2005).

However, returning to our empirical context of the intermediary middle manager (Floyd & Lane, 2000), the idea of MCS becoming enabling or coercive through sensemaking suggested by Englund & Gerdin (2015) opens for new perspectives. As highlighted by the controller in our initial quote, this channelling role (Floyd & Lane, 2000) entails the middle manager to forward strategy as agreed with top management *"down into the organization and explain why, why we want to do this?"* In doing so, the middle manager engages in sensegiving (Gioia & Chittipedi, 1991) in an attempt to impact the sensemaking processes of those he controls. However, the controller further notes that *"this probably differs between the divisions"*, indicating that the outcome of these sensegiving efforts are not clear, and finally states that top management hopes that employees all the way down in the organization *"understand why they perform their work"*, indicating that the intended outcome is nevertheless an enabling perception of the MCS use.

Previous research (Jordan & Messner, 2012) has highlighted how different sensegiving efforts (Gioia & Chittipedi, 1991) can come to impact how MCS are perceived as enabling or coercive by middle management – but what happens when these middle managers engage in sensegiving in their own use of MCS? An empirical indication seems to be that the outcomes can differ, with Englund & Gerdin (2015) suggesting that this can result from sensemaking. Moilanen (2008) further suggests that the intermediary manager, in combining *"the requirements of the parent with the local requirements as well as with their own beliefs"* (p.266), can come to use the power over MCS inherent in their role to legitimize their own position in a decentralized organization. This type of use, although possibly perceived as enabling for the middle manager, could be argued to conflict with the expressed intent of enabling perceptions further down in the organization as stated by the controller.

Summarizing this, we suggest – given the study of Englund & Gerdin (2015) – that sensemaking should provide a suitable theoretical lens (Lukka & Vinnari, 2014) for analysing enabling or coercive uses of MCS. However, the intermediary role of the middle manager complicates this analysis, as the sensemaking process (Weick, 1995) comes to includes several actors with ability to impact each other's sensemaking (Gioia & Chittipedi, 1991; Pratt, 2000). Given the complications highlighted above, in the combination of previous research on enabling and coercive uses of MCS and sensemaking with the empirical context of the middle manager as an intermediary in decentralized organizations, we suggest that the topic should be further explored. Taking this into consideration, we pose the following research question to guide the study:

*How does the intermediary role of the middle manager come to influence the sensemaking of MCS as coercive or enabling among those he/she controls?*

The aim of this study, in light of this question, is to seek clarity in how the sensemaking processes underlying the view of MCS as coercive or enabling by middle management and those controlled by them are affected by each other, as previous research (Balogun & Johnson, 2004; Gioia & Chittipedi, 1991; Pratt, 2000) suggests that these sensemaking processes can differ between hierarchical levels, and that actors can take efforts to impact sensemaking across these levels (Jordan & Messner, 2012; Gioia & Chittipedi, 1991). Given this aim to explore a new lane of research in the domain of enabling and coercive control, the question is designed to be open-ended, thus opening for a study where the process of finding the answer can be as important as the eventual answer.

To explore this problem, a single case study was carried out in Conglom, a decentralized, divisionalized investment conglomerate with a generic MCS that is applied to control subdivisions with operations in various industries and markets. In this setting, although technically being part of separate entities, the division managers come to play the role of middle managers in their channeling of control from the generic MCS used by HQ down into their respective businesses, as shown in the initial quote. In an

aspiration to find contrasts in how the division managers and operating staff use and make sense of the MCS, the study was conducted in two different divisions of Conglom, CarinspectCo and WholesaleCo, resulting in a single case study with two embedded, contrasting cases.

By studying the use of the MCS in two separate divisions active in different industries and with varying backgrounds[1], we contribute to the domain of enabling and coercive control by highlighting the importance of the channeling role of the middle manager in a MCS coming to be perceived as coercive or enabling, the effects of which has been overlooked in previous research. We explore how different organizational actors affect each other's sensemaking of a MCS as enabling or coercive, and how that sensemaking may differ within the same organization. In doing this, we add to the body of research covering sensemaking processes in accounting by exploring sensemaking in relation to enabling and coercive control.

In order to answer the research question posed, a further understanding of the role of sensemaking in connection to the concept of enabling and coercive control is needed. As such, the following chapter will set out by going through previous research on enabling and coercive control, specifically emphasising its role in the use of MCS. This is followed by a review of sensemaking and its previous uses in the context of accounting and control, after which sensemaking is operationalized in a theoretical framework designed for understanding enabling and coercive uses of MCS in the context of our empirical case. Chapter three describes how the study was planned and carried through, while chapter four tells the empirical story. This story is then analysed in chapter five, leading to conclusions along with limitations and suggestions for further research in chapters six and seven.

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[1] Whereas WholesaleCo was recently acquired by Conglom, CarinspectCo has been part of the Conglom group for a few years. The backgrounds of the division management teams also differ – a large portion of CarinspectCo managers were hired by Conglom after they acquired CarinspectCo, while WholesaleCo managers had a long history with the firm.

# 2. Theory

## 2.1 Enabling and coercive uses of MCS and accounting

Although some earlier studies (Jönsson & Grönlund, 1988) touch upon the concept of enabling and coercive uses of MCS, Ahrens & Chapman (2004) is generally considered the starting point for this domain. They argued that if a formal MCS is perceived as a help to perform work tasks better, it will receive a positive attitudinal response, while a sense of being controlled and constrained by unhelpful efforts aimed at obedience will create a negative attitude towards the MCS. By that, they downplayed the previous prevailing idea emphasising MCS design (Simons, 1995; Otley, 1999), and rather placed the actors using the system in the foreground. Ahrens & Chapman (2004) studied the MCS use of a British restaurant chain, using four features argued by Adler & Borys (1996) to explain enabling work formalization – repair, flexibility, internal transparency and global transparency. They found that local knowledge and experience was mobilized by allowing restaurant managers flexibility to repair malfunctioning internal processes. Having that mandate also granted the managers internal transparency of the work processes, which was complemented by centrally organized workshops that sought to reinforce the role of the sole restaurant in the bigger picture, i.e. global transparency.

Repair is concerned with the power to correct failures in processes, while flexibility should allow a mobilization of users' skills instead of trying to manage for all problems beforehand and minimizing reliance on user skills. Together, they regulate the ability to adapt to emerging changes and eventualities, by leveraging the employees' expertise instead of trying to design "fool proof" processes (Adler & Borys, 1996). Internal transparency is the capacity and mandate to understand the functions underlying a process, and is highly related to repair and flexibility – to adapt a process, we must first fully see and understand its workings. In turn, the means to see and understand the role of the process in the organization as a whole – global transparency – builds from the understanding of the "bigger picture" and the part played in it (ibid).

While some studies discuss the four features in the formal use of the MCS as such (e.g. Jordan & Messner, 2012; Wouters & Wilderom, 2008) others focus more on the operational processes that the MCS governs (e.g. Englund & Gerdin, 2015; Ahrens & Chapman, 2004), as discussed by Englund & Gerdin (2015). We concur with Englund & Gerdin (2015) in that the two are intertwined and must be seen together, as the scope of this study includes the use of systems both first-hand, and in terms of operational work processes it regulates and affects. A similar division is made in this stream of literature between the broader concept of management control systems (MCS), (Ahrens & Chapman, 2004; Jörgensen & Messner, 2009) and the more specific subgroups of MCS such as performance measurement systems (PMS) (Wouters & Wilderom, 2008; Wouters, 2009; Jordan & Messner, 2012; Englund & Gerdin, 2015) and balanced scorecards (Van der Hauwaert & Bruggeman, 2013). Again, as our emphasis lies on enabling and coercive uses of both the formal system and processes resulting from this use, we view these systems as intermingled in *MCS packages* (Malmi & Brown, 2008), i.e. a composite package of different control systems.

An important contribution of Englund & Gerdin (2015) was to show how the four features of Adler & Borys (1996) are intertwined in MCS – rather than studying them as separate silos or even in pairs, they need to be viewed together as a system. They also found that flexible use and repair of performance measures are techniques to expand internal and global transparency (Englund & Gerdin, 2015, p.301), confirming a connection between transparency, repair and flexibility as previously discussed by Wouters & Wilderom (2008) and Ahrens & Chapman (2004).

As discussed by Van der Hauwaert & Bruggeman (2013), many studies have argued that enabling systems have a favourable effect on organizational and managerial performance (Adler & Borys, 1996; Ahrens & Chapman, 2004; Wouters & Wilderom, 2008; Englund & Gerdin, 2015). Chapman & Kihn (2009) show some evidence for a positive effect of the four features on organizational performance, but also raise questions of a more qualitative nature around the dynamics involved, in one of the few quantitative studies in this field. A regression on survey answers from Finnish business unit managers on their use of MCS showed that repair, internal transparency and global transparency are all positively associated with the perceived success of the budgeting and information systems studied. Repair and flexibility are shown to relate to increased financial performance, with repair also contributing to market performance, while global transparency increase the likelihood of both market performance and social responsibility performance. Complexities such as the role of flexibility, which is argued to be a necessary but not sufficient condition for performance, and a negative relation between flexibility and internal transparency (possibly due to reverse causality) also emerge in the study (Chapman & Kihn, 2009, p.166-167). The four features are shown to be correlated, except for flexibility, thus otherwise supporting Englund & Gerdins (2015) arguments for viewing them as an intertwined system rather than isolated traits.

Introducing the theories of Ahrens & Chapman (2004) in another context, Free (2007) used the concepts of enabling and coercive accounting to explain differences and dynamics of two dyads in the retail supply chain, showing that the features of Adler & Borys (1996) can be used to explain the enabling nature of accounting in an inter-organizational context. His study was continued by Neu et al. (2014), who studied how accounting contributes to the phenomenon of 'sweatshops' in the production end of a supply chain. Mouritsen (2014) argued in his commentary of Neu et al. (2014) that the presented empirics show how enabling accounting use can have coercive effects for others, and that these coercive effects are fortified as the distance between actors' increase. This happens as the intermediary buying company – in practice acting as an outsourced purchasing department for the end retailer – use the accounting controls handed down to it. As the accounting is subsequently passed on to the production level, it comes to impact operations in the factory, in practice giving the intermediary a degree of control over the clothing producers.

For example, the intermediary quality control exerted on the producer adds a margin to the required quality level (as measured by the number of defects per 1000 units produced) of the retailer, pressurizing the producer to avoid damaging the relationship with the end customer – the retail chain. While the practice of withholding or manipulating information, as well as other factors (e.g. social and economic factors such as trust and power (Mouritsen, 2014)) that potentially can reshape accounting controls as they are passed on through distance, are very pronounced in the supply chain studied by Neu et al. (2014), this type of dynamic certainly exists within organizations as well. These articles, then, bear interesting consequences for the entire literature surrounding enabling and coercive design and use of accounting. This becomes even clearer when contemplating the results of Abernethy et al. (2004), which show *how decentralization within divisionalized firms is positively related to information asymmetries.* They further argue that decentralization choices depend on interdependencies within the organization, and that there is a complementary relationship between decentralization and the use of performance measurements.

Combining Neu et al. (2014), Mouritsen (2014) and Abernethy et al. (2014), it seems that distance and the withholding of information could create a dynamic within organizations like the one Neu et al. (2014) found in an inter-organizational setting. Returning to our context of the intermediary middle manager (Floyd & Lane, 2000) we can connect this dynamic to the findings of Moilanen (2008). Her study showed how the intermediary in a decentralized firm came to use its power over the MCS to

strengthen its own position – effectively using the information asymmetries described by Abernathy et al. (2004) for own gain, yet with indications of coercive perceptions among those controlled by the intermediary (Moilanen, 2008, p.259). As such, the concept of coercion over distance (Neu et al, 2014; Mouritsen, 2014) entitles a review in light on our context of intermediaries in decentralized organizations (Moilanen, 2008), as these studies disregard the impact of perceptions on the outcome as coercive or enabling (Englund & Gerdin, 2015). This is especially interesting in terms of how the perceptions affect how the MCS are channeled down through an organization.

Several studies have focused on the development stage of several types of MCS, often as a dynamic process where organizational members are involved in designing, implementing and using enabling MCS (e.g. Wouters & Wilderom, 2008; Wouters & Roijmans, 2011; Groen et al., 2012; Van der Hauwaert & Bruggeman, 2013; Englund & Gerdin, 2015). One notion of interest to our study found in this subfield is the concept of knowledge integration (Wouters & Roijmans, 2011; Groen et al, 2012), where developing an enabling MCS is shown to be enhanced by including actors with different roles in the process. As engineers and management accountants could experiment with actual data in development of the new system, their shared operational knowledge from separate units, both dependent on the upcoming system, contributed to controls that came to be seen as enabling by the users (Wouters & Roijmans, 2011). Although this study's focus is on the use of MCS, organizations and their surroundings are in practice ever-changing, and developing the controls are a natural part of using them. In connection to this ongoing revision of MCS, a variety of articles have stressed the importance of leveraging pre-existing operational knowledge in processes of developing MCS that are perceived as enabling (Wouters & Wilderom, 2008; Jörgensen & Messner, 2009; Wouters, 2009; Wouters & Roijmans, 2011). Jordan & Messner (2012) connect this to the feature of flexibility, as they show how improvement practices were viewed as continuation of past practices and hence perceived as 'business as usual' (p.559). This use allowed action without closely linking it to measurement, thus emphasizing operating processes rather than accounting measures.

This relationship between measurement and operational activities has also been shown to impact reactions to control from above. Returning to our discussion on middle managers from the introduction, previous literature gives a somewhat mixed image of their reactions. Jörgensen & Messner (2009) studied product development and the implementation of a new production system, which effectively came to hinder the repair function previously available in the MCS from being effective. Similar events occur in the study of Englund & Gerdin (2015), where new, non-negotiable measures are introduced without giving middle managers the possibility of repair by impacting measurement definitions. Jordan & Messner (2012), in turn, studied Six Sigma implementation, where top management, comparable to the case of Englund & Gerdin (2015), introduced new performance indicators by which the organization was to be managed. Here, however, repair was initially not needed, as the indicators were framed as 'visions' rather than targets, thus not binding middle managers to actually making the numbers and allowing them to focus on operational activities.

Jörgensen & Messner (2009), Jordan & Messner (2012) and Englund & Gerdin (2015) showcased different reactions to control. Whereas Jörgensen & Messner (2009) saw R&D-managers demanding further top management initiatives to solve the emerging problems, Englund & Gerdin (2012) showed how middle managers worked around the lack of repair and flexibility by trial-and-error testing using a complementary system. In the case of Jordan & Messner (2012), on the other hand, repair became needed as top management suddenly re-defined the indicators from visions to hard targets, redirecting emphasis from operational work to measurement. Contrasting these cases, we see that the middle managers studied react differently to top-management pressure. A MCS described as enabling came to be viewed as coercive due to lack of top management support (Jörgensen & Messner, 2009), whereas

measures introduced in a coercive, top-down fashion came to be viewed as enabling (Englund & Gerdin, 2015; Jordan & Messner, 2012) with perceptions turning coercive from further management communication and pressure around the measures (Jordan & Messner, 2012). However, the studies do not further show how these different reactions were channeled onwards, when middle managers used the MCS down in their respective organizations.

As this discussion highlights, the perceptions or attitudes towards MCS are a central but somewhat underdeveloped aspect in the previous literature, especially given the role of our intermediary middle manager (Floyd & Lane, 2000). Adler & Borys (1996) and Ahrens & Chapman (2004) both focused on system design, and although taking the perspective of the user the underlying assumption was still that enabling design will lead to the MCS being generally perceived as enabling:

*"Our assumption in this article is that the objective characteristics of the organizational form will account for the central tendency in employees' attitudinal responses. But future research should seek to explain the variability in how these characteristics are perceived." (Adler & Borys, 1996, p.85)*

Further studies have emphasized this more, with the definition of an enabling system as being perceived as enabling, or at the very least highlighting attitudinal responses to it as enabling (Wouters & Wilderom, 2008; Wouters, 2009; Chapman & Kihn, 2009; Jörgensen & Messner, 2009; Wouters & Roijmans, 2011; Jordan & Messner, 2012; van de Belt & Wilderom, 2012; Van der Hauwaert & Bruggeman, 2013). As highlighted by Englund & Gerdin (2015), this stream of research has increasingly come to accentuate that attitudinal responses and perceptions of the control systems as well as of the work processes they regulate are the determinants of whether MCS are enabling or not.

Taking this discussion further in their study, Englund & Gerdin (2015) additionally pointed out that it is the perceived transparency that matters, rather than an idea of an objective, instrumental transparency. New performance measures could reduce perceived transparency, and even without any substantial changes in the control system or in operational processes, perceived transparency could change dramatically. As their mental model-framework comes to accentuate the in-depth focus on perceptions of the features of Adler & Borys (1996), Englund & Gerdin (2015) come to make several implicit connections between enabling control and the organizational theory of sensemaking (Weick, 1995). Their article repeatedly highlights this: "*sensemaking about operations*" (p.281), "*…when actors make sense of a focal performance measure.*" (p.282), "*…seemed to gradually make sense of both the numbers as such and the operations to which the numbers referred.*" (p.284), and eventually takes it in as part of their key findings: "*We find that the process changes in character insofar as the PMS is not so much used to make sense of operations as a way of affecting the actions of others."* (Englund & Gerdin, 2015, p.298). However, although sensemaking as a practise is frequently emphasised, the formal theory of it (see, for example, Weick, 1995; Maitlis, 2005) is not included in Englund & Gerdins study.

Summarizing this section, we have shown how enabling and coercive uses of different MCS have been studied in different contexts, with the features of Adler & Borys (1996) as a common framework of analysis. In light of our issue of the intermediary middle manager (Floyd & Lane, 2000) in a decentralized organization (Moilanen, 2008), a comparison with Neu et al (2014), Mouritsen (2014) and Abernathy et al (2014) added further motivation for pursuing our research question – *How does the intermediary role of the middle manager come to influence the sensemaking of MCS as coercive or enabling among those he/she controls?* – in a decentralized organization. Finally, we have shown how the increased emphasis on perceptions of MCS has implicitly introduced sensemaking to the domain, which invites us to formally introduce the theory of sensemaking in the following section.

## 2.2 Sensemaking and accounting

The term sensemaking refers to the common notion of 'making sense' (Weick, 1995, p.4). On the individual level, sensemaking concerns the process of an actors' understanding of what happens around him, and his planning of a suitable response (Maitlis, 2005; Weick, 1995; Drazin et al, 1999). The actor, therefore, simultaneously shapes and is shaped by his surroundings (Weick, 1995).

In the organizational context, sensemaking refers to how an actor understands the organization surrounding him – the understanding of the organization through interaction with other organizational members (Maitlis, 2005; Weick et al, 2005) in an ongoing, iterative development process, which gradually builds and rebuilds the actors' view of the surrounding organization (Maitlis & Christianson, 2014). This can occur both on the collective level of the entire organization, or on the intersubjective level of a smaller group of individuals, such as a subunit or department (Drazin et al, 1999). Actors can also belong to several intersubjective groups, a concept referred to as partial inclusion, where the sensemaking of an actor is influenced by multiple roles simultaneously (ibid).

In more practical terms, sensemaking is a process of moving from perception to action (Weber & Glynn, 2006; Daft & Weick, 1984). By extracting cues[2] from enactment with their surroundings, actors form perceptions, drawing an image of what has happened. The image is then interpreted and translated into action. Context is an essential component in this process, as it comes to define both which cues are extracted, and how they then come to be interpreted. As argued by Weick (1995), interpretation is often mistakenly equalled with sensemaking, but is merely the middle ground of it – the stage between the image of perception and the outcome of actions. Given the need of an image to react on, Weick (1995) argues that the sensemaking process as such is retrospective, happening after an event has occurred, and ongoing, meaning that the three processes happen in a spiralling continuum (Weber & Glynn, 2006) – but only until a plausible action is found. This ongoing, social process of interpretation and re-interpretation is grounded in the actors' identity, building on the actors' view of himself (Weick, 1995).

This process opens for some confusion considering our domain of coercive and enabling control, which emphasises the importance of *perceptions* of MCS. The use of 'perceptions' in the MCS context refers to perceptions and interpretation in unison, rather than perceptions as mere awareness of one's surroundings, as viewing the MCS as enabling or coercive requires a process of interpretation such as the mental model framework suggested by Englund & Gerdin (2015). Although this agrees with the view of sensemaking scholars that the three moves should be viewed as a cycle, rather than as a linear process (Weber & Glynn, 2006; Weick, 1995; Maitlis, 2005), it also opens for clarification. However, the three-move model remains useful to understand sensemaking of MCS, as it stresses the fact that perception and interpretation lead to action, which in turn affects organizational performance.

The specific context of a divisionalized, decentralized firm present in our study was related to sensemaking by Balogun & Johnson (2004) in their study of organizational restructuring from a hierarchical to a decentralized form. They centre on the role of the middle manager as a 'change recipient' told to change without having influence over it. This resulted in a gradually changing image of the organization from old to new, but in different ways – where some middle managers retained their old models of the organization, others drastically changed, refraining themselves from previous roles. These different outcomes of sensemaking – refraining from or retaining 'business as usual' – highlight how middle manager sensemaking can differ, which when reconnected to the middle managers' channelling, intermediary role (Floyd & Lane, 2000) highlights the central problem of our study. If

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[2] 'Extracting cues' refers to the process of observing one's surroundings. As defined by Weick (1995), *"Extracted cues are simple, familiar structures that are seeds from which people develop a larger sense of what may be occurring"* (p.50).

middle managers make sense of controls from above in separate ways, how does then their intermediary roles come to influence sensemaking at the next level – among those they control?

Different methods have been employed in attempts to impact the sensemaking of actors on other hierarchical levels. Gioia & Chittipedi (1991) developed the concept of *sensegiving* to describe how top management communication was used with intention to impact the sensemaking of those affected by a strategic change initiative. Pratt (2000) built on this by introducing the concept of *sensebreaking*, where communication was employed to erode actors' existing images of the current state, thus opening for more effective sensegiving efforts (Gioia & Chittipedi, 1991) for setting a new image.

Turning to the accounting regime, sensemaking has been mobilized in the contexts of strategic management accounting (Tillmann & Goddard, 2008), post-acquisition changes (Puhakka, 2017; Moilanen, 2016) and IPOs (Kraus & Strömsten, 2012). Tillmann & Goddard (2008) found that sensemaking is an essential tool for understanding strategic management accounting in practise, as organizational actors within the same company can have different perceptions of the term 'strategy'. Transparency in the form of 'internal and external context' was showed to be of importance for this, as the management accountants' sensemaking of situations were dependent on both what the situation meant for the individual facing it, similar to internal transparency as defined by Adler & Borys (1996), and the situation in the context of the company as a whole, similar to global transparency (Adler & Borys, 1996). In different situations, and for different persons, 'strategy' could thus have different meanings.

Kraus & Strömsten (2012) studied the use of accounting in sensemaking and sensegiving (Gioia & Chittipedi, 1991) by managers to enhance a shareholder value logic in the preparation for IPO. Accounting was mobilized as a sensegiving effort to increase the emphasis on short-term performance in the form of financial results, thus guiding sensemaking towards new, short-term goals and targets. The same mobilization of accounting was seen in Jordan & Messner (2012), where the sensegiving effort (Gioia & Chittipedi, 1991) of signalling performance measures as 'visions', and later as 'targets', was a key factor for how operational managers related to the measures.

Puhakka (2017), in his study of post-acquisition integration, found that accounting worked as a resource for sensemaking that helped reduce complexity and achieve legitimization for the buyer to perform the transaction. This confirmed the findings of Kraus & Strömsten (2012) that accounting can act as an anchor for sensemaking. Contrastingly, Moilanen (2016) studied the sensemaking of different groups of people within the acquiring and acquired firms following a transaction, and found that the structure of accounting in the form of a MCS was not the only thing affecting behaviour, as the personal consequences in form of cutbacks evoked emotions that also impacted behaviour. This led her to conclude that sensemaking of change in controls should not only build on the formal accounting, but also on the perspective taken.

These previous studies of sensemaking in the accounting context further highlight the issues suggested for intermediary middle managers' sensemaking and use of MCS. As stated by Tillmann & Goddard, *"Normative SMA literature often draws an idealistic picture of how SMA ought to be performed, thereby not fully taking real organizational settings into account"* (2008, p.97). Similarly, we see that the discussion on enabling control has left the idea of diverging attitudes towards the same control system unexplored – both in terms of the variability in perceptions as raised by Adler & Borys (1996) and the gap of middle manager sensemaking highlighted in our introduction. While this simplifies research on the design principles and use of a MCS, it also paints an "idealistic picture" that does not reflect organizational complexities, as in the case Tillmann & Goddard (2008). The findings of Moilanen (2016) also highlight this, as different emotions towards the same MCS lead to different

interpretations (Weick et al, 2005) of the personal consequences from change, in turn resulting in different behaviour following these changes. Hence, these issues actuate further research.

Our review also highlights the usefulness of the sensemaking theory in understanding the concept of enabling control. Whereas the notion of 'enabling' comes to be through a sensemaking effort, as shown by the studies emphasising perception in an explicit manner (Wouters & Wilderom, 2008; Wouters & Roijmans, 2011) and sensemaking in a more implicit one (Englund & Gerdin, 2015), we also believe the concepts of sensegiving (Gioia & Chittipedi, 1991) and sensebreaking (Pratt, 2000) to be useful in understanding how users of MCS work to impact the sensemaking processes of others (Jordan & Messner, 2012).

We now move on to combine sensemaking with our domain theory of coercive and enabling uses of MCS to form a theoretical framework for analysing our empirical case.

## 2.3 Sensemaking and enabling control

Given our emphasis on the sensemaking of MCS as performed by middle managers and those controlled by them, this section will combine the previous two in creating a framework of analysis for our empirical case. As our review of the core literature shows, the four features of Adler & Borys (1996) as operationalized by Ahrens & Chapman (2004) are the main tools used in previous research for understanding how control comes to be perceived as enabling or coercive. Hence, this section will critically review these features through the lens of sensemaking, and attempt to create a novel understanding of the process of making sense of the features of repair, flexibility, internal transparency and global transparency (Adler & Borys, 1996).

As shown in the previous section, sensemaking research suggests that we both shape and are shaped by our surroundings (Weick, 1995; Weick et al., 2005; Maitlis & Christianson, 2014). Considering our domain, this can be understood as how an organizational actors' sensemaking of a MCS influences both how the MCS shapes the actor, but also how the actor in turn shapes and uses the MCS. Tillmann & Goddard (2008) showcased this, with management accountants simultaneously making sense of strategy by creating it (shaping the MCS) and implementing it (being shaped by the MCS in their use of it). This section thus attempts to understand how actors come to perceive their interaction with MCS as coercive or enabling, thus using this duality of shaping and being shaped as a tool for answering our research question – *How does the intermediary role of the middle manager come to influence the sensemaking of MCS as coercive or enabling among those he/she controls?*

### 2.3.1 Making sense of the features

Starting with *global transparency*, the feature is defined as *"the visibility of the overall context in which organizational members perform their specific duties"* (Ahrens & Chapman, 2004). For the organizational member, this definition effectively transforms into the question '*can I see my role in the bigger picture (of the organization)?*' The resulting sensemaking process, the outcome of which will come to define to what degree global transparency is present or not for the actor at hand, thus hinges on the sensemaker's answer to this question.

*Internal transparency*, in turn, is defined as *"the visibility of internal processes for organizational members"* (Ahrens & Chapman, 2004, p. 280) or being *"able to see through and understand the logic of the system"* (Jordan & Messner, 2012, p. 546). In this case, the sensemaking effort will rely on answering the question '*are the internal processes transparent to me*?'

*Flexibility* is defined as *"the organizational members' discretion over the use of MCS"* (Ahrens & Chapman, 2004, p. 280) – allowing flexibility in how the MCS are used will contribute to enabling

perceptions of MCS (Jordan & Messner, 2012). Formulating a question for the organizational members' sensemaking here materializes as '*can I customize the internal process[3] which I'm part of?*'

Finally, *repair* (or the absence of it) is defined by a metaphor of a locked machine control panel (Ahrens & Chapman, 2004) and clarified by Jordan & Messner (2012) as to *"allow users to repair the formal system in case of a breakdown or problem"* (p. 546). The question driving the sensemaking effort of the organizational member here would thus be '*can I repair the internal process which I'm part of (in case of a problem)?*'

A common factor of these questions is naturally the "I" or "me", indicating that the sensemaking effort is an individual one. However, as concluded, actors shape and are shaped by their surroundings, and our social identity is part of the individual identity (Weick, 1995). This includes other organizational members, meaning that viewing sensemaking of the features of Adler & Borys (1996) as solely individual will risk bypassing the notion of how individuals influence one another on intersubjective and/or collective levels (Drazin et al, 1999).

Rather than taking the individualistic view, we argue that because of the duality of simultaneously shaping and being shaped by the MCS, these definitions of the four features entail problems for the actor attempting to make sense of them. The following section highlights these problems, and summarizes them in four critical questions, which will serve as a guideline for reviewing our empirical case.

### 2.3.2 Problematizing the features

The sensemaking process to answer the question of *global transparency* – can I see my role in the bigger picture? – brings forth two counter-questions: *what is the bigger picture?* and *what is my role in it?* Whether the sensemaker finds global transparency or not depends on what context he considers himself part of, and what his role in it is. Looking at our context of middle managers, is the bigger picture for him and his work processes the context of the business unit, division or organization he is a part of? Or is it the supply chain or even the industry? Context is a vital part of sensemaking, impacting both which cues are extracted, but also how they come to be interpreted (Weick, 1995). The case of Englund & Gerdin (2015) shows how the question of my role is closely intertwined with the transparency as such; *"… this new type of behaviour emanated from a changing perception of how their own activities sit in relation to the larger organizational context, or put differently, that the PMS's* global *transparency had increased"* (p.298). Perceived global transparency in their case had clearly increased, driven by a change in perception of what their role was. However, their definition of their context had not changed.

In the same manner, sensemaking leads us to question *internal transparency* – are the internal processes transparent to me? – by raising the counter-question *'what is the internal process?'* Here, the idea of sensemaking as an individualized process, occurring within the mind of a single person, implies that the answer is obvious – it is *my* process, which I perform on a daily basis. However, returning to the definition of sensemaking, we both shape and are shaped by enactment with our social and contextual surroundings (Weick, 1995). Hence, while I shape my definition of the process, this definition will shape my view of other processes in my surrounding, thus influencing other actors in the intersubjective and collective groups around me (Drazin et al, 1999). This is especially intriguing for our middle manager, whose process constitutes channelling control from top management to operations (Floyd &

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[3] As discussed in the previous section, our definition of MCS is set with a broad scope, including both the use of the system as such for measuring and managing, as well as the internal processes resulting from the use of the system. From the perspective of sensemaking taken in this section, emphasis lies on the process in which the actor takes part – be that measuring, managing or other work processes.

Lane, 2000), hence having direct impact on the processes of other actors. Hence, this question will include his definition both of his own process and of the interconnected processes affected by him.

Making sense of flexibility, or 'can I customize the internal process which I am part of?' requires understanding of the intent of the customization. Flexibility in terms of customization allows each user to perform the process in the way he finds best – but best for whom? *What is the intent of flexibility?* Like the previous feature, the answer to the question will reflect the individual facing it, but the interplay with ones' surroundings plays in here as well. For middle managers, flexibility in use will refer to their work – but their flexibility in controlling will impact those controlled by them. Jordan & Messner (2012) showcased this in their discussion on how flexibility is impacted by top management sensegiving in communication on the MCS, as well as by how the MCS is built upon continuity with the past and existing operational practices. If managers are trying to measure and enhance "business as usual" and established activities, employees' attention remains with the operational processes and the MCS are of secondary concern. This can be related to Weick (1995), who argues that "a sensible event is one that resembles something that has happened before" (p. 170) – "business as usual" is less likely to be questioned than a change in status quo. Looking at the middle manager flexibility considering this, the question turns to how flexibility is mobilized for 'business as usual' or to change status quo impacts those controlled by the middle manager.

The question posed for making sense of repair – 'can I repair the internal process which I am part of (in case of a problem)?' – has two dimensions in asking 'can I' – ability and permission. Here, permission refers to whether one is allowed to repair the process, as demonstrated by the metaphor of the locked machine control panel (Adler & Borys, 1996), as well as in the case of Englund & Gerdin (2015) where two performance measures were set by top management and non-negotiable. In the case of ability, one must determine whether repairing the issue at hand is within one's realm of competence. Ahrens & Chapman (2004) illustrated this with the example that breaking down accounting into standard costs or overhead allocation rules can make it unintelligible for other employees than accountants. Combining the two, Jörgensen & Messner (2009) initially defined the feature in terms of permission (*…whether non-expert employees are permitted to fix breakdowns…* p.101), but concluded that employees did not have the ability needed, instead requiring top management assistance. For our middle manager, ability again relates back to the duality of shaping and being shaped (Weick, 1995). Even if the manager has the know-how needed to repair his process, does he understand how the repair effort will impact those around him? From a sensemaking perspective, the two dimensions thus have different contexts (Weick, 1995). Permission emphasises the enactment between those controlling, i.e. allowing repair, and those controlled, who are allowed it. Ability, on the other hand, concerns the ongoing enactment between those repairing their process, and other impacted by the process. Attempting to capture the repair feature for both middle managers and those controlled by them, the question here becomes *'How does my repair effort impact those around me?'*

Summarizing this discussion, we are faced with four critical questions, each related to one of the four features.

| Question | Feature | Issue | Examples |
|---|---|---|---|
| What is the bigger picture? (Context) | Global transparency | Actors´ perceptions of their context can differ | Does the middle manager identify himself as working in group X or division Y? |
| What is the internal process? | Internal transparency | Actors´ perceptions of processes can differ | The middle manager may understand his process - but does he understand the processes of those impacted by his? |
| What is the intent with flexibility? | Flexibility | Flexibility may be enabling for one actor, but not necessarily for another | How does the flexible use by the middle manager affect those controlled by him? |
| How does my repair effort impact those around me? | Repair | Although an actor is capable of repair, does he understand the impact of his repair effort? | How does middle manager repair impact those controlled by him? |

**Figure 1**

These questions allow us to analyse the sensemaking processes that underlie actors' perceptions of MCS, as well as how actors work to impact each other's sensemaking through sensegiving and/or sensebreaking, as indicated by previous research (Jordan & Messner, 2012; Pratt, 2000). As such, the questions serve as a framework of analysis for our empirical case, as their answers will shed light on the interplay of sensemaking between middle managers and those controlled.

# 3. Method

## 3.1 Research design

The aim of this study is to explore how a MCS comes to be seen as enabling or coercive by middle managers and operating staff, as the result of their respective sensemaking processes (Weick, 1995) and the interaction between these groups. Our theoretical framework combines the features of Adler & Borys (1996) with the theory of sensemaking (Weick, 1995), resulting in four critical questions to help us reach this aim and answer our research question – *How does the intermediary role of the middle manager come to influence the sensemaking of MCS as coercive or enabling among those he/she controls?* However, this requires a research design that allows us to capture the sensemaking of MCS by different actors in practise.

To study the chosen subject, we need to explore the sensemaking processes of individuals, which can be done in a meaningful way through interviewing and observation (Weick, 1995). Given the limited scale of this study and the research question posed, interviewing on various levels of the organization and reviewing internal documentation to create a thorough understanding of the MCS at play was deemed the best way of adhering to Weick's (1995) review of previously successful sensemaking research methodology. As validity of our findings is not primarily sought in terms of generalizability but rather in terms of achieving a credible degree of description (Sale et al, 2002), we chose a case study approach for the study. Field research also satisfies our aim, as it allows the exploration of actual organizational dynamics as realistically as possible (Ahrens & Dent, 1998).

In terms of case studies, there is an inherent trade-off between the depth of a single case on one hand, and the comparative insights of multiple cases on the other (Dyer & Wilkins, 1991). As our focus is mainly on depth, in terms of understanding the dynamics of the problem at hand (Eisenhardt, 1989) – sensemaking processes – we choose the method of a single, in-depth case study (Dyer & Wilkins, 1991). However, our case organization relies on a highly decentralized MCS, giving the divisions a degree of autonomy in implementation. Bearing this high level of independence between divisions in mind, the sensemaking of middle managers in one division can be presumed not to significantly influence that of managers in another division. This motivates a combination of the in-depth characteristics of a single case study with the contrasting effect of two embedded cases, which allows us to balance deep understanding with comparative insights (Dyer & Wilkins, 1991).

After discussions with the case company, Conglom, access was granted to the subsidiary divisions of CarinspectCo, which operates motor vehicle inspection stations around Sweden, and WholesaleCo, a wholesaler of construction consumables and tools. Although the selection was mainly based on access, the two divisions have contrasting elements which motivate their selection for a study seeking comparative insight. Whereas CarinspectCo has been part of the Conglom group for a few years, WholesaleCo is a more recent addition to the group. Also, CarinspectCo had a management team appointed by Conglom, whereas WholesaleCo management had a long pre-Conglom history in the division.

In addition to the practical methods of exploring a particular research question, a certain degree of self-reflection should be carried out regarding the philosophical assumptions underlying the aim of the study (Slevitch, 2011). Is the intent to find the objective truth – the positivistic approach – or to explore subjective interpretations of a complex world – the interpretivist approach (ibid)? In the case of our study, we clearly relate to the latter, as our study hinges on the subjective, individual theory of sensemaking (Weick, 1995). The idea of interpretivist epistemology rests on the ontological ground of idealism – that there is no single reality, but multiple realities based on our construction or interpretation of reality (Smith, 1983; Morgan, 1988), which resonates well with notions of sensemaking. Regarding

methodology, our study thus comes to be qualitative, as argued by Slevitch (2011); *"Qualitative methodological foundations lie on the following epistemological premise: an inquirer can only offer his or her interpretation of the interpretation of others."* (p. 77). As we study the interplay between different actors' sensemaking of MCS as coercive or enabling, these interpretations of the interpretations of other are what this study seeks to capture.

This epistemological notion of interpretation becomes essential for our study, as our theoretical framework shows that interpretation is a key element of sensemaking, and the interpretation of others' interpretations – the interplay of sensemaking between different actors – is what we seek to explore. Re-iterating this to ontology, we hope that the questions posed in our theoretical framework can help us understand the multiple realities that underlie and result from the sensemaking of different actors, and thus allow us to answer the overarching research question posed.

## 3.2 Data collection

Empirical data of two kinds was gathered over a period of approximately two months; interviews and company documents[4]. A selection of internal documents was provided to the researchers, which provided a neutral overview of the formal management control systems as well as a starting point for discussions and interviews. The documents included descriptions of the internal controls, board policies and follow-up procedures related to the internal controls, as well as a comprehensive protocol document from a board meeting in one division.

15 semi-structured interviews were conducted, with the goal of opening an exploratory discussion around the two main forms of control in the case company. The intent was to create an open-ended discussion with the interviewees, to explore their individual, inter-subjective and collective processes of making sense of the control systems, and whether and why they were perceived as enabling or coercive. In order to create this discussion, all interviews were held in Swedish, the native language of both the researchers and all interviewees. A general interview guide was designed to function as a framework for the discussion, and was continuously updated during the progress of the study.

The interviews were conducted in two stages. First, a pre-study of six interviews was made at the HQ-(4) and division management (2) levels, in order to explore how MCS were used 'at the top' of the organization and the intentions behind the controls. Theoretically, the intent here was to broadly explore how the MCS was used at this level, to gain an initial idea of how the channelling of control described in our introduction materialized. The quote presented in our introduction resulted from this inquiry. The two division managers interviewed were placed suitably in the organizational structure to take a channelling role between HQ and the respective divisions.

After the initial study had drawn a roadmap for future investigation, it was followed by a main study of nine interviews at the two divisions: CarinspectCo (4) and WholesaleCo (5). Here, the intent was to explore the sensemaking of control on the operational level, as well as continuing the examination of the channelling role of the division managers. The main study was conducted during an intense three-day period, which made the researchers undertake a more presence-focused interview method (Kreiner & Mouritsen, 2005). A rather generic interview guide was designed, and then complemented with ongoing updates on themes. As the interviews were performed in a short sequence, the researchers focused on hearing and constructing new connections and questions iteratively, following the concept of analytical interviewing (ibid). The approach allowed only a limited window for reflection and adjustment between the interviews but was still deemed successful, as concepts and themes raised while

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[4] See Appendix A & B

interviewing remained fresh in the minds of the researchers, also allowing more subtle themes to be followed up on.

## 3.3 Data analysis

As with the interview process, the process of data analysis can be divided into two parts. During the pre-study, which stretched over a period of several weeks, we started out with a wide scope intending to find tensions and interesting aspects to build on during further interviews, as recommended by Ahrens & Dent (1998). An iterative process of moving between the interview data and the literature was used to narrow down the scope of the study. As such, a wider inductive methodology gradually turned into an abductive, iterative process of relating practise and theory (Bryman & Bell, 2011).

After completing the pre-study, all recorded interviews were transcribed[5] and systematically reviewed in a chronological order, with emphasis on finding common themes and contradictions in relation to the previous literature. As interviews were made in Swedish, the transcripts were also written in Swedish and translated for quotation in the study. Although this opens for an extent of translation bias (Bryman & Bell, 2011), efforts were made to ensure that the translations stayed in line with the intent of the interviewees quoted. In contrast to the suggestion of Eisenhardt (1989), the researchers tried not to formulate hypotheses regarding what could be expected from the upcoming main study, thus refraining from moving past abduction into the realm of deduction (Bryman & Bell, 2011). Instead, focus was placed on understanding the pre-study data and the intentions of managers, in order to better direct the questions for the main study. As such, our focus came to lie on what Dyer & Wilkins (1991) referred to as telling a story rather that creating a construct, or on pursuing new meaning rather than proving a point (Kreiner & Mouritsen, 2005).

Moving on to the main study, a key part of the initial data analysis came to be active presence during the interviews (Kreiner & Mouritsen, 2005), as mentioned in the previous section. As the interviews were performed in a short sequence of time, the researchers were forced to conduct an ongoing analysis during every interview in order to find eventual new themes and details to discuss during the next. As such, the analytical interview framework (ibid) was useful in finding a balance between structure in form of the pre-set interview guide and presence in the exploration of new themes that had unfolded since the construction of the guide. Following the conclusion of the main study interviews, the interviews were transcribed and analysed in a systematic manner. Here, the themes that were initially found during the interviews were followed up on in a more structured manner, following the model suggested by Eisenhardt (1989) and applied by Ahrens & Chapman (2004). Notes and transcripts were ordered chronologically, after which the suggested themes from the interviews were followed up. This led to a rearrangement of the key themes, which finally materialized as the two contrasting stories shown in the following chapter. The abductive approach to research played in here as well, as the decision to position the study as a contrasting case was challenged several times during the process of analysis. However, as the process of analysis came to render even more contrasting themes, the researchers finally retained the single-case design with two embedded, contrasting cases.

The following chapter presents the empirical story, starting with the context and pre-study at Conglom HQ, and then following up with the two storylines found during the main study. The empirical findings are then analysed in chapter five in light of our discussion on previous theory. Finally, conclusions, limitations and suggestions for further research are found in chapters six and seven.

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[5] One interview, the first, was not recorded and therefore not transcribed. However, thorough notes were taken to capture as much of the discussion as possible.

# 4. Empirics

## 4.1 Conglom – context & background

Conglom was founded in 2003, with the business model to acquire profitable, mature businesses with proven business models, strong market positions and solid cash flows at reasonable valuations. Their long, virtually indefinite investment horizon and industry agnosticism gives the company a conglomerate-like structure – they are often described as a Swedish industrial group.

In 2004 when the company made its first acquisition, sales reached 100 MSEK and eleven years later, in 2015, further acquisitions and organic growth had elevated sales to 2 000 MSEK. Conglom grew sales and EBITA at a 36% and 38% CAGR between 2005 and 2016 respectively, resulting from over 20 acquisitions. Conglom's top management and investment committee focus on acquiring larger companies, but also supports bolt-on acquisitions in the different business units. In late 2016, the company took their common shares public in an IPO and raised additional capital to fund further acquisitions, after having listed their preference shares in the previous year.

The corporate structure contains three business units (BUs), with one recent large acquisition outside of the regular BUs. They are Consumer (B2C), Distribution (B2B) and Industry (B2B). All three BUs are roughly equal in size based on operating profits, with Distribution being slightly larger than the other based on revenues. They contain about 15 operating units, more than 40 individual companies with sales in 16 countries, with Sweden being the largest by far.
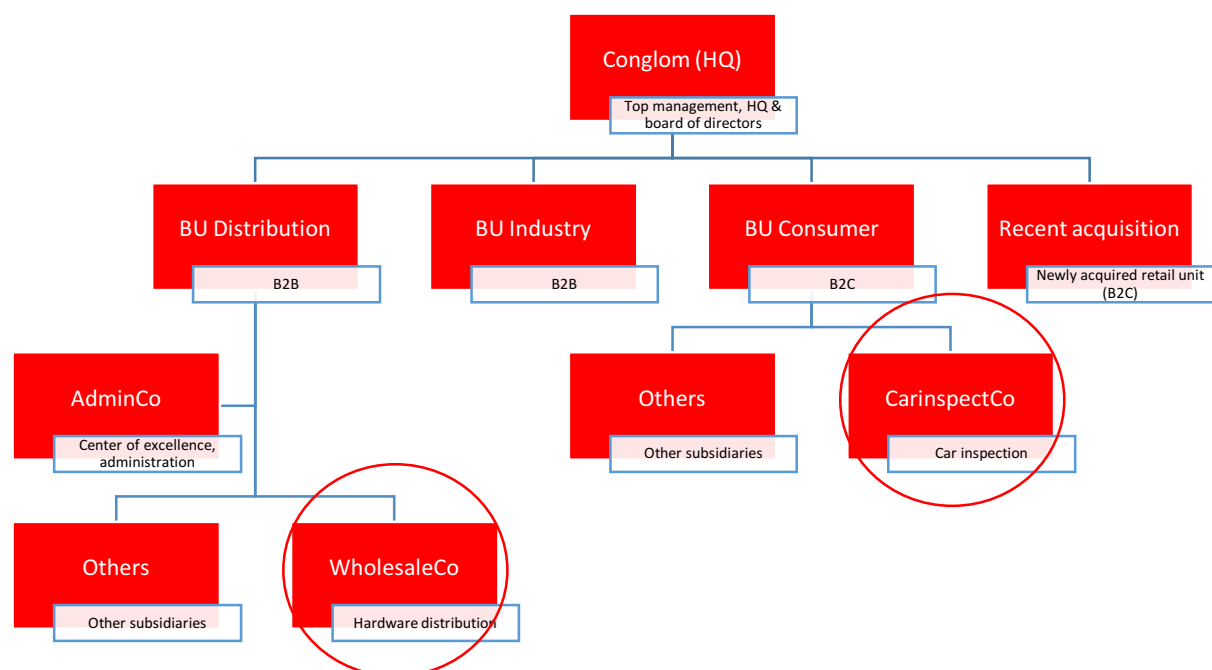


*Organizational structure with the two operating divisions in focus of the study circled.*

With divisions in vastly different industries, Conglom is decentralized and relies on a standardized MCS for all of them. The formal management control system centres around VAMS, an abbreviation (in Swedish) of vision, business model, targets and strategy, which helps guide the divisional management teams in setting the long-term direction and giving mid-term guidance for where the company is heading. The targets consist of quantitative measures of revenue growth, return on capital employed (ROCE), EBITA-margin and cash flow measures such as cash conversion, while the rest of the VAMS

is mostly qualitatively focused. The strategy part of VAMS contains strategic initiatives of an operational nature, which the divisions decide together with the board and subsequently employ to achieve their long-term strategies. VAMS is interlinked with budgeting, through which Conglom manages cash flows and plans for the short- and midterm.

This MCS package (Malmi & Brown, 2008) – VAMS, backed by budgeting – is in practice exerted first and foremost by the division boards, where Conglom is represented. There are four set, regular board meetings every year: business review, budget, HR and financials & analysis. The business review meeting is an in-depth qualitative review of the VAMS, where the division strategy including strategic operational initiatives, targets and risk analysis over a five-year future period is presented by the division management team for approval by the division board. The budget meeting is more focused on short- to mid-term planning, as the strategy set at the business review meeting is implemented in a two-year budget. The HR-meeting deals with staff related questions, and the financials & analysis meeting focuses on quantitative business analysis and measurement.

With all divisions controlled and measured in largely the same way, despite large variances in industry, size, market and other circumstances, and with significant independence and room to manoeuvre for the division management teams – as long as the board approves of their choices – Conglom's structure and MCS provides a rich research ground to explore our chosen subject. The initial interviews emphasised the fact that VAMS was intended to provide a backbone structure on which the division could build, as discussed by the group controller:

*"The idea is that they [the divisions] should run the show, not that change in a business unit should be driven from us up here. Because that would never work, with our strategy of growing Conglom, it would never work if we were micro-managing down in the divisions."* – Group controller (Conglom)

The consequences of this freedom in the use of VAMS was reflected upon by the Finance manager, who emphasised how different types of organizations and leaders required different types of engagement from Conglom HQ in the board discussions on using VAMS for strategy:

*"Some leaders are very sales-focused, incredibly good at selling and know their business well. There we might need to set a structure and see, okay, how should we continue, what do we do when you retire, what happens then? Whereas in other companies, we might feel the need to enter and help to change something. Help them find KPIs, find a way to manage the business, because they've just gone along with it. Not stopped to think, what is actually going on?"* – Finance manager (Conglom)

As it turned out, this quote came to capture the context of the two embedded cases in our study. WholesaleCo is a firm centred on sales and the different structures supporting that, whereas CarinspectCo operates in the recently privatized Swedish motor inspection industry. As the following sections show, their division management team's sensemaking and subsequent use of VAMS differed substantially, which in turn also came to impact how VAMS was made sense of by operational staff.

## 4.2 Using VAMS to change an organization – CarinspectCo

CarinspectCo was acquired by Conglom four years before this study took place. The organization was previously part of a governmental department with a strong focus on productivity, but when the vehicle inspection system was privatized in 2012 the organization was divided into parts and sold. When Conglom became the new owner of one of the parts – CarinspectCo – it acquired the inspection sites as well as all the employees and inspection equipment. Conglom put a corporate structure in place, including a management team and a management control system built on Conglom's VAMS system.

Since the new top management team came directly through Conglom, and the MCS was directly built on their systems, Conglom's control systems permeated the company from day one:

*".. I think that it feels like the VAMS runs in the company's veins" – Controller*

Conglom and their system for control gives the division management team significant freedom in developing CarinspectCo, as long as the company's long-term financial performance satisfy Conglom's demands. A new strategy and business model was developed in dialogue with the board, and the management team also had leeway in developing strategic initiatives to achieve the vision and targets. Similarly, each year the board approved a certain number of new stations that could be opened at management discretion, without predetermining specific details such as location or size.

A strategy was set out for the organization. It was decided that CarinspectCo should be a premium provider, in opposite to a low-cost provider. It should emphasize traffic safety and simplified car ownership in its communication, and ensure an ability to price its services at premium price points. There was also a focus on growth, and CarinspectCo has grown their number of inspection stations from 60 to 160 in a few years, through organic growth and an acquisition. The stations are managed by 43 station managers that are responsible for 1-5 stations each, and they are further divided into eight market areas with one market area manager each. The eight market area managers' report to the chief market officer who is part of the top management team:
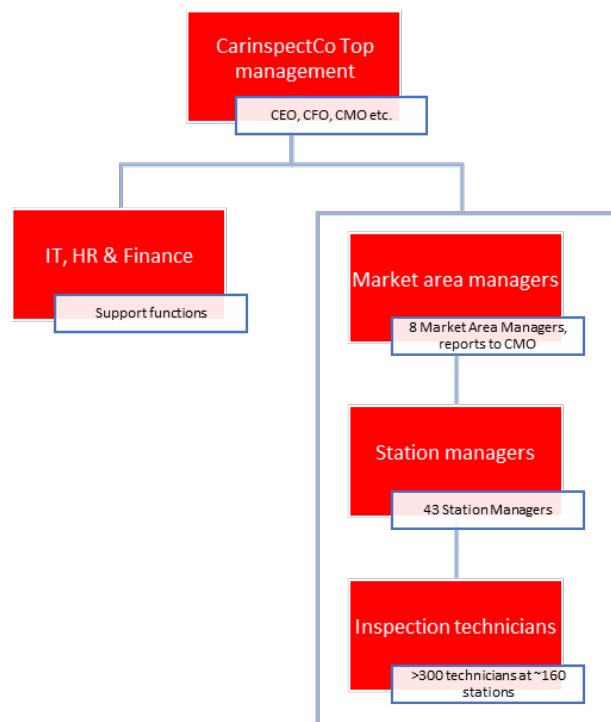


**Figure 2 – CarinspectCo division structure**

The new strategy and business model meant quite significant changes for the organization. New strategic initiatives were centred on two key drivers: improving customer service and increasing sales. The first was addressed through a higher level of accessibility of drop-in and bookable time slots for car inspection customers, a change that also meant lower utilization, as well as through an increased focus on customer satisfaction and service degree. The second was approached through the introduction of two additional products to the basic statutory car inspection; a plus package and a full package. They include services such as checking the airbags, or tire pressure and wear. In addition, an initiative to sell candy, soda, snacks and items such as anti-freeze sprays at the inspection stations was started.

These initiatives were also a way of positioning the company as a premium provider through extra services that could enhance vehicle safety and that gave customers additional choices, as well as the option of having a snack while they waited. Internally, the success of the new strategy was measured by more fine-grained financial and non-financial performance measures than the ones reported to Conglom, that were of a more general nature. These were sorted into the categories customer measures, new stations, efficiency, loyalty and "the online leader". For example, customer measures included the average revenue per customer and percentage of upsell (of upgrades), efficiency included utilization rates, loyalty included net promoter score (NPS) and "the online leader" included conversion rates. Many of them can be measured on a per station basis. Accessibility is also monitored closely on a market area basis, and market area managers are, together with station managers, responsible to ensure and equalize the availability of booking slots within their market area by moving inspection technicians between stations as needed.

For top management, having been recruited by the new owner Conglom and with little previous industry experience, their organizational identity was closely connected to the bigger picture: Conglom and CarinspectCo's role in it. The overall strategy, but also the operational directions and strategic initiatives put in place to realize it, were based on a purpose to achieve Conglom's financial goals and to firmly place CarinspectCo within Conglom.

*"The management team that is now, there is [name of Production manager] who has his roots in the operations… But that was a long time ago, a long time ago. […] They are very good at running a business, absolutely – I say NOTHING about that. […] But, it can be a little... like that [indicating issues] in the communication sometimes." – Station Manager*

Management did not have their roots in the industry, and they were not very involved in the daily operations of the business, apart from the production manager that represented operational knowledge about inspection processes in the management team. Apart from him, their function was largely that of directing, monitoring and managing at a distance.

For lower level, operational employees – especially the car inspection technicians – the changes were quite minor initially. Their identity was and had always been with CarinspectCo (but under a different name and organizational form), and the nature of their tasks and location as well as the distance and local nature of the operations meant that who owned the organization was very much secondary to the function they were performing. Traditionally, they were focused on cost efficiency through high utilization rates, which often meant long waiting times for customers but low prices. Car inspection was what they were doing, and technical precision, safety and productivity had been superior motives to customer service – in the previous system, there were not any competitors that could sweep up unsatisfied customers, they would just have to wait in line or turn to another station. The identity of operational level employees – and more so the further down in the hierarchy you come – was not at all connected to Conglom as their managers' identities were.

*"… those who work at the stations, they are almost part of the furnishing sometimes." – Controller*

*"... If you have started once, in the car inspection industry, when it was a monopoly. Yeah, then it is the car you take care of, not the customer. If you then flip that around, then maybe it's not what you had imagined" – CFO*

One station manager experienced a lack of general ability to affect and influence what was measured and how, when questioned about it:

*"Not much. No, but I didn't imagine I could either. […] No, but there isn't much I can influence. Those times I'm asked it's… if you have a deviating opinion, or suggest an improvement – then it should be real damn good for them to think 'yeah shit, that's something'. […] When something like that reaches down to a Station Manager, then first the management team has had their meetings, and agreed that 'this is good'. And then they communicate it to the Market Area Managers, and then some amendments can happen. But when this finally reaches the Station Managers, then it's more or less set in stone."*

As we can see, the hierarchical decision-making process and the distance between top management and the station manager limits his influence.

As means for increasing sales, management adopted two new upgrade products to supplement the statutory car inspection, which the technicians were intended to market and sell to customers. For the management team, this upselling was an opportunity to increase margins as the two additional packages could be delivered within the same time frame as a regular inspection, while adding virtually no additional costs. Through measuring upsell as a percentage of total sales, with the possibility of monitoring this and total sales on a daily basis, top management also created increased visibility of operational processes. Furthermore, additional services gave customers a choice that could help improve traffic safety, and thus reinforced the premium provider image. To summarize, upsell was an opportunity that was completely in line with the VAMS from which it had originated.

For the rest of the organization, and especially for technicians, the upsell initiative got a mixed reception. Helping to mitigate a negative response was the possibility of an additional salary increase for the 100 technicians that sold the most upgrades. The ambivalent response was especially distinct for technicians, for whom the new ownership had meant the limited change until now:

*".. Like I said, there are everything from those who – 'absolutely, let's do this' – to those who 'I am no salesman, I'm a technician. Such bullshit...'" – Station Manager*

*"The time I've been here there's been a very large change… But not with everyone. There are still quite many that don't want to sell any upgrades, that want to arrive at seven and go home at four, and if there are 20 minutes scheduled [for one inspection] then there are 20 minutes and if I work faster I have created some time for myself. After that I can do what I want. There are still quite many that resonates like that. But I think it is starting to become more and more self-sanitizing." – CFO*

There is a large variation among employees and stations in the acceptance of the upsell initiatives. For example, some stations still do not sell any upgrades, while one top performer sell upgrades to 35% of the customers. According to the CFO, about 10% of the customers will buy an upgrade if only the staff asks them about it. The other part of the upsell initiative, selling candy and soda by the checkout, was also received with ambiguity:

*"Some thought it was good, because they could buy candy and stuff at work, but... As with much else, the initiative came too quickly to implement in the brains of the staff." – Station Manager*

The station manager pointed out the drastically shortened time horizon for change initiatives as compared to the period as part of a government department, when things took a very long time to change. When asked about the hardest challenge with implementing the upsell initiative, a market area manager answered:

*"It's the staff. To get someone [to understand], that you are not just a technician that should act nice, to try and get the customer to buy something more from us."*

Measuring NPS (Net Promoter Score) was another factor that increased the visibility of operational processes for the top management team. As customer satisfaction was followed up after every visit with simple questions rated on a 1-10 scale, managers could monitor both customer satisfaction and upsell:

*"The important part of this customer satisfaction measurement, that's getting an 8, 9 or 10 – those are the best, because then we have someone who talks well about us and recommends us to friends. Naturally we also ask whether they were offered the upgrade products."* – Station Manager

The connection between upsell and the increased focus on customer satisfaction was emphasised in many different ways by interviewees:

*"We are becoming an organization that demands a very high level of service. Just this with the upsell – if you look at Burger King, they always ask you if you want a plus menu..."* – Controller

Both NPS and the upsell initiative were in line with several parts of the VAMS; e.g. the vision of a safer car park and the strategy to become a premium provider. Management also had the optionality to weigh a low price and high utilization rates against availability, to maximize customer satisfaction.

Among lower-level employees, there was again a mixed attitude. Technicians did not have direct access to the NPS measurements, so station managers had the choice of whether to share this information or not. This gave them leeway to adapt their feedback to the individual and the situation. However, being confronted with a benchmark and/or a negative remark was sometimes an unpleasant experience for the technicians.

Following the increased emphasis on customer service, opening hours and capacity were changed to reflect customer habits and needs. Increased attention to customer satisfaction involved ensuring that there are always some free time slots at a given station for a given day or week. Regulations require customers to inspect their car within a certain time frame – the end of the 14th month since the last inspection – which means that demand will shift towards the end of each month due to last-minute customers trying to evade a driving prohibition. The occurrence of public holidays might also shift demand between different weeks or months. 52% of all inspections are made during the first half of each year due to seasonal vehicles such as motorcycles and caravans, as well as due to dynamics in the second-hand market for vehicles.

This meant that staff had to work more evening shifts, more Saturdays and more hours in general towards the end of each month, and that the total amount of hours worked often varied between weeks, months and seasons. This stands in contrast to the previous work days under government ownership, with the same eight hours each work day of each week. It was a result of the choices available to management in order to deliver the best service to customers. For one market area manager, for example, the possibility to move work hours around or to use overtime made it easier to adapt capacity to demand. He specifically mentioned an episode where the budget for April was set quite high:

- Market Area Manager: *"We had a test of that [the overtime work] in April, because we had set a quite aggressive volume budget. Management had missed that during budgeting, that April only had 18-19 work days this year, but 21 days last year. And then we had the same [Sales] budget. How the hell do we fit everything on these days? That took a lot of overtime. But then again, the weather was terrible, so there weren't that many customers anyway."*
- Authors: *"But you still used overtime to reach the target?"*
- Market Area Manager: *"Yes, of course. Otherwise you haven't tried. And then you've lost from the beginning.*

Among the technicians, the schedule changes got a mixed response. For many of them, it was a clear change for the worse. When asked if everyone had the commercial understanding to see why CarinspectCo needs to adapt to customer needs, one station manager answered:

*"Absolutely not. No, no, no. But it is... It's up to them. And to honestly not want to understand, and not accept that this is how it is… Putting it extremely, I mean, what job today has an evenly spread workload from the first day of the month to the last?"*

Another change in light of being acquired by Conglom was the implementation of a new IT-system. The old IT-system used by technicians to receive bookings and manage inspections when Conglom acquired CarinspectCo was very expensive, and the handheld units had reached their maximum capacity. Thus, a project was started to develop a new system, and a project team that included the external consultants developing the software as well as a technician was put together. Many problems lined the project, and in the end, it was both late and had cost multiples of the initial cost estimation:

*"On my first board meeting, I tried to joke around a little about it [the IT-project], but I realized quite quickly that it was the wrong thing to joke about, haha, so I haven't done it anymore." – CFO*

When implemented, functionality was unsatisfactory. Operating staff experienced a lack of participation in developing the system which contributed to this. During the project, CarinspectCo had to make decisions that compromised between better functionality and time, the latter being a significant factor due to the high cost of keeping the old system up and running.

One large problem at the station level was the handling of rechecks. A recheck occurs when an inspection fails a vehicle, and the customer needs to come back after fixing the deficiency. As the system only allowed for 20-minute booking slots (as opposed to the old system), and a recheck takes 10 minutes, some stations solved this through holding a site open for drop-ins and rechecks. This was perceived negatively among technicians, since it came from up the hierarchy. As a market area manager expressed it – if the customers would have just showed up, helping them by getting the recheck done would have been customer service – but as it is now, it is production optimization!

*"We have these defects... It's not optimized, but it is what it is. […] So it becomes much more manual instead." – Market Area Manager*

The finance function of CarinspectCo had an ERP-system that did not perfectly integrate with the new IT-system. This problem was handled by assigning a controller with the tasks of communicating the necessary information to different people in the organization. Management got information and measures from operational developments, and operational staff got financial information to help them steer and direct operations in order to achieve financial goals. This also helped frame operational employees' roles in the larger picture, and provided management with insights into local processes.

As we wrap up the story of CarinspectCo and turn to the division of WholesaleCo, we come to see that the central MCS of VAMS comes to play a completely different role in their daily work in contrast to what we have seen here.

## 4.3 Using VAMS for upline communication – WholesaleCo

WholesaleCo was acquired by Conglom two years before the study. The firm is a distributor of construction consumables, i.e. screws, nuts, bolts, handles, fittings and tools related to this, such as hammers, saws and screwdrivers. As defined by the CEO, WholesaleCo sold "*everything a builder could need, apart from construction materials*". The organization at WholesaleCo was structured by function. The division management team included both the CEO, who was also head of sales, and head of purchasing & market, who was in charge of managing relations with suppliers. An overview of the organizational structure of the division at the time of the study is presented below:
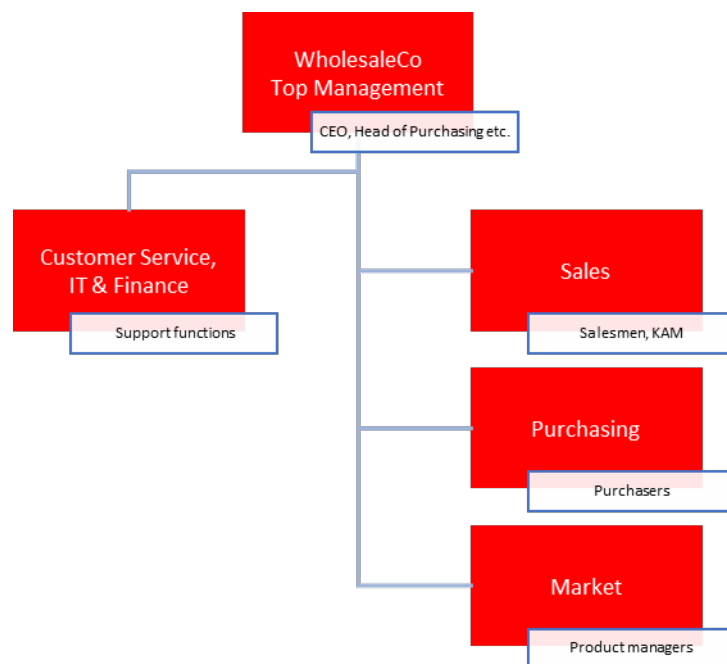


**Figure 3 – WholesaleCo division structure**

The intended customers are hardware stores directed towards do-it-yourself (DIY) consumer and/or construction-related businesses. A central part of the strategy is to not own any retail stores themselves, which sets WholesaleCo apart from many competitors. In this way, a potential conflict of interest is removed and credibility in the eyes of the customers is boosted. The firm had a long and successful history, which was also reflected in the employees. This became evident at the very first interview:

*"The vision is pretty clear at WholesaleCo – we've been around for 125 years. And when you think about it, if there is anything that we're bad at… There can't really be anything that were bad at when we've been around for 125 years!"* – CFO

In contrast to CarinspectCo, where the ownership change became central to the identity of management, WholesaleCo displayed an opposite situation. The change of ownership when Conglom stepped in was not seen as a radical change in organizational structure, but rather as a, for the industry, common change of ownership. WholesaleCo was perceived to be good at what they did, as is evident from the quote above, and their future was not seen to be affected by a change in ownership to any significant degree. Managers and employees alike clearly identified themselves as employees of WholesaleCo, whereas Conglom was merely the owner – an active owner in some instances, perhaps, but an owner nonetheless. The central MCS that Conglom applied, with VAMS as the central aspect, was perceived to be a useful tool but not a unique one, as found in a discussion with a product manager:

- Product Manager: *"I've worked at many companies, so of course I've worked with VAMS in many different forms."*
- Authors: *"But not using the name VAMS, or…?"*
- Product Manager: *"Well, it is a bit of an established term, I think? Yes, it is."*

The view was confirmed by the CFO, who referred to events occurring years ago in the pre-Conglom regime and their MCS, finishing with *"…because we've been doing this for years. Of course, we didn't call it VAMS, but it is precisely the same thing."* – CFO

It became clear that VAMS was merely seen as a new MCS to communicate information up-line to the owner, rather than a tool for running the firm. This can be connected to the previous owners, who implemented several more radical changes to WholesaleCo than those conducted since the acquisition by Conglom. An example given by the CEO was the disposal of non-core businesses such as a producer of lawnmowers and a company that made hot dogs. A more recent one was the split of WholesaleCo into two subunits, where sales and external brand operations remained in WholesaleCo, while internal brands were moved to a separate entity. The re-integration of these two subunits into WholesaleCo was one of the main strategic initiatives in the work with VAMS during the time of this study. Although it constituted a significant change as direct consequence of the work with VAMS, it was not perceived as such. Rather, both managers and employees viewed it as a natural return to the core of the firm, to how things had been before the split took place at the hands of the previous owner:

*"Our previous owners had the idea that the internal brands could develop outside WholesaleCo. So, we separated the companies. There was hope that they would generate a few millions in their own reign, but it didn't go that well. […] What we created with separating them was that we clearly became two companies. So, the cooperation for development actually got worse."* – CEO

*"If we put it this way – I've always wanted them together. So, I… I guess I had more trouble with splitting them in the first place"* – CFO (on re-merging the subunits)

*"We used to be one company, before the split. I really only see the merger as something positive. Unfortunately, the mentality has become a little "us-and-them", they sit over there… [points to the office across the street]."* – Salesman

Another strategic initiative in focus was the development of a new internal brand for fastening, labelled FAST. Development had started in 2012 in the internal brand subdivision, with the goal of achieving yearly sales of 100 MSEK within five years. As the subdivision was in the process of re-merging with WholesaleCo it brought the new brand initiative with it. Despite being a change from the previous division of internal and external brands to now emphasise development of internal ones in fastening, the response to the initiative was similar as to the merger – it was in line with the core of the business. All interviewees emphasised the importance of FAST for the future development of the firm.

*"FAST is our big case. From being, well not a side project, but suddenly it has become a locomotive. Previously, the wholesalers' role was central, and internal brands were supplementary. Now it's almost the opposite, we can get FAST into stores although they don't buy that many other products from us."*
– Head of Purchasing & Market

Despite its importance, the project underperformed its targets. Progression towards achieving the 100 MSEK goal was lagging, and the targets were not met within the five-year schedule. It was, however, given slack regarding the need to achieve targets, as pointed out by the CEO:

*"Concerning FAST, which is a young, new brand, we can't say that we are especially proud of the KPIs it generates, but when moving to claim the market the absolute worst thing to do would be to be out of stock of a bunch of things. So we're actually building somewhat too large of an inventory, it would deserve a turnover of at least 80-90 million on what today is 60."*

Product development appreciated the new brand, as it relieved them from political issues present with developing product lines that competed with external brands that the company was distributing. Product lines were built thematically according to function, such as "for the professional builder" or "for the do-it-yourself-fixer", thus requiring a mix between internal and external brands, between premium products and low-cost products. As WholesaleCo was dependent on upholding the margin between purchasing and sales pricing, a large part of the work was maintaining relations with suppliers to gain discounts and sustain prices. This could impact the product manager's options of including new external brands in his lines, as shown in our discussion with him:

- Product Manager: *"I've tried a few times to include a new yardstick in a product line. There we have SupplierCo, who have an extremely strong position in yardsticks. It may seem like a trivial product, but I got a blank no. Much due to political reasons – you don't want to disturb the WholesaleCo-SupplierCo relationship."*
- Authors: *"Do you get that problem with FAST-products?*
- Product Manager: *"No, that's different, because there we have a mutual decision [within WholesaleCo, authors' note] to focus on fastening under an internal brand, meaning that we have no external supplier of fastening products. So, we have freer rein there, and larger opportunities to develop product lines and develop the brand. So, it's completely different actually, as we don't have that… collision."*

Contrastingly, this collision was not present in the sales division to the same extent. The salesmen sold either complete product lines or adapted ones using products from a main product registry, meaning that the politics of choosing suppliers took place above them. The choice between internal and external brands was not perceived to be an issue either, as the salesmen had fixed salaries and were able to focus on long-term value creation for their customers, as phrased by one of the salesmen:

*"As I see it, it's really about what the customer can sell. Because if I put a product on his shelf that benefits me, but he can't sell it, then it really doesn't benefit either of us. So, I don't try to steer them towards internal brands. Rather, I should work backwards in my organization and get them to… 'You need to develop a product like this'!"* – Salesman

The main product registry, from which sales could choose product for their customization towards customers, also displayed the purchase price levels. This was the main determining factor for the end net price towards customers, leaving salesmen with some – but quite limited – latitude to affect end prices. Although they had limited power over pricing, it was not viewed as limiting their work, but rather as limiting their responsibility. When asked about price disputes with customers, one salesman said:

*"When you have those customers, you just have to take a step back and say that you can't answer that, that you don't have the authority. Then you go up in the hierarchy, and get the Head of Sales or a Key Account Manager involved. […] For me, it's important not to create conflict with the customers, so the CEO can step in and be the pain in the ass. I want to be the one who works for them."* – Salesman

The backwards work mentioned in the quotes above was a reoccurring theme at WholesaleCo. Several interviewees described the tensions between sales and the purchasing department in different ways,

depending on their position in relation to the others. In terms of holding inventory, as mentioned with the FAST brand, sales commonly wanted to hold more stock, to provide better service and faster delivery, whereas purchasing were keen on keeping inventory levels to a minimum:

*"There can be some issues at times, because the salesmen… they live in their own world. And we live in ours. And we don't always understand each other. Sales would prefer to keep everything in stock at all times, while we think differently and have other issues to tackle."* – Product Manager

The product managers' superior, the head of purchasing & market, acted towards this tension in practice through the use of the MCS and his power over the sharing of numbers. He emphasised his role as a 'gate-keeper' towards sales and their pricing:

*"That's where the battle is – if I make 5% [on a better purchasing deal, authors' note] then Sales will want to send that directly to the customer to be cheap. Which means that you're not always… not always fully transparent towards Sales."* – Head of Purchasing & Market

However, sales did not appear limited by this. Rather, the salesmen mentioned their access to numerical data as a key tool in their work with customers, and emphasised WholesaleCo's skill on measurement and numbers as a competitive advantage.

*"I can get down to the smallest article for customers. I can get measures on how they are on payments, it's actually quite fun… I had on who argued that 'no, we always pay on time'. 'No, you're always 34,7 days late'. 'How the hell do you know that?' 'We know everything.' [Laughter]"* – Salesman

This emphasis on numbers and measurement was also reconnected to the changes experienced when Conglom acquired WholesaleCo. Measurement as part of day-to-day activities was a proud area of expertise for the division, as emphasised by the product manager when asked about changes in measurement and performance indicators:

*"No, I don't think there's been any. We've traditionally been very good at measuring, so I don't think they've [Conglom, authors note] felt any need to develop that side."* – Product Manager

Returning to the view on VAMS as an upline communication tool towards the owners at Conglom, some aspects indicated that this view might be changing, or at least that Conglom was attempting to manage the view. Several key personnel at WholesaleCo had taken part in different educational programmes at Conglom, together with employees from other divisions of the group. One such programme was acquisition training, where both the CEO, the head of purchasing & market and a product manager took part. Albeit initially framed as a training programme, its meaning was re-phrased as the "acquisition project" mid-programme.

*"At a training programme you learn something, project – then you do something. We didn't understand it at the start, but then they [Conglom] said "anything you pitch as an acquisition, you need to be able to manage".* – Head of Purchasing & Market

By framing and re-framing the programme, an acquisition idea was introduced at WholesaleCo. This was perhaps the most powerful intervention by Conglom in the 'business-as-usual' mindset present at WholesaleCo. Although the reception was positive, it had not yet grown to the extent where the participants began to feel as members of Conglom rather than WholesaleCo. A partial explanation here is that all participants were rooted in the business of WholesaleCo, making their state of mind harder to change.

This was a recurring theme all the way up to top management, which was directly involved and attached to central operational processes:

*"This is a sales company. And you can put it like this, we are currently looking at how to organize ourselves, but I am still the Sales Manager. And I think that, in a sales company the CEO will always be ultimately responsible for sales."* – CEO

Top managers viewed their roles not just as gatekeepers managing from a distance and intermediaries between the business and the owner and board, but also as ultimately responsible for well-functioning operational processes that they were a direct part of.

Another aspect related to the mindset of WholesaleCo as a 125-year-old successful firm in its own regard, came in form of the central ERP system. The system had been a topic of discussion in relation to Conglom's acquisition of WholesaleCo, as it came 'for free', without licensing or similar. It was mentioned by several interviewees as simple, easy to use and modify, and local – the support function for the ERP system was located in-house, with full capabilities to adapt and modify the system per request.

[On a question on investments in the ERP system] *"We don't do that. No, we really never do. It's actually so, you'd die if you saw our ERP system – it's in green and black. Really old fashioned. [...] They [Conglom] wanted all sorts of certificates and stuff to really make sure that it was for free, and we didn't want to ask for them in order not to 'wake anyone'."* – CFO

Summarizing these two cases, we can conclude that the sensemaking and subsequent use of VAMS, in terms of strategic initiatives initiated by division managers in their control of operational staff, came to differ between the two divisions. CarinspectCo used VAMS in a drive for change down in the division, with strategic initiatives such as upsell and increased emphasis on customer satisfaction that were received in mixed ways by operational staff. WholesaleCo, in contrast, mainly used VAMS as a tool for upline communication, framing the new strategic initiatives of the re-merger and the new internal brand FAST as in line with the prevailing view of the division, i.e. as not really being changes at all.

In light of these findings, we now turn our attention to comparing the two cases and combining these empirics with our theoretical framework in the analysis section.

# 5. Analysis

Returning to our literature discussion, the focus of this chapter will lie on answering the four questions posed in the theoretical framework. These questions each concern one of the four features of Adler & Borys (1996), and relate to the process that takes place when actors attempt to make sense of the feature at hand. As these features together lead to an enabling or coercive MCS (Ahrens & Chapman, 2004), answering the questions will allow us to understand how the MCS becomes enabling or coercive for those using it, i.e. division managers and operational staff.

The cross-case analysis is structured in five sections. First, we answer the questions posed in our theoretical framework in an analysis of the interplay between the features of global and internal transparency, and the resulting impact on flexibility and repair. These two sections are concluded in a third, modelling the interplay between the features on the two hierarchical levels of division managers and operational staff. A fourth section constructs how these groups come to influence each other's sensemaking of the MCS, and the final fifth section summarizes this chapter in a discussion of how our case relates to previous literature.

As a starting point for the case comparison, we return to our definition of MCS as a package (Malmi & Brown, 2008) as stated in the literature discussion. As we have seen, the main MCS in Conglom is the VAMS system, which takes a general form on the HQ level and then materializes as action through strategic initiatives in the separate divisions. As such, VAMS in Conglom should be viewed as an MCS package (Malmi & Brown, 2008), including both the diagnostic elements of measurement and monitoring for decision-making by management, and the operational processes resulting from the strategic initiatives in the divisions affecting the everyday work of operational staff.

## 5.1 The interplay of internal and global transparency

Starting with global transparency, we posed the question *'What is the bigger picture?'* in order to capture the possibility of different definitions underlying global transparency. The question builds on Weick (1995) with sensemaking as context-dependent. Context both defines how the sensemaker extracts cues from enacting with the surrounding world, and impacts the interpretation of the cues. Put differently, an actor's definition of himself defines how he views his surroundings, but the direction of causality can, at the same time, be the opposite – the surroundings can define the actor's identity (Weick et al, 2005).

At the division management level of our case organization, we can see two clear contrasts in this. At CarinspectCo, top management (except for the production manager) all came to the firm from external positions in other industries following the acquisition by Conglom. Contrastingly, top management of WholesaleCo all had a long history in the firm, and took personal pride in its long and successful past. Hence, the identities of the intersubjective groups of division management (Weick, 1995; Drazin et al, 1999) in the two companies respectively, were grounded in diverging self-images of which bigger picture they viewed themselves as part of. Where managers at CarinspectCo primarily identified themselves as part of Conglom, WholesaleCo managers were part of WholesaleCo – Conglom was merely the owner, to whom they were accountable. This diverging view of what constituted 'the bigger picture' distinguished the sensemaking processes defining *global transparency* at CarinspectCo and

WholesaleCo – the answer to the critical question '*what is the bigger picture?*' in this context came to be 'it differs'[6].

The divergence in global transparency influenced how the management groups made sense of internal transparency. Our question posed here - *'What is the internal process?'* - intended to reflect how actors make sense of their work processes and the processes of those around them, considering their social and contextual surroundings (Weick, 1995).

At CarinspectCo, where the identity of work was connected to Conglom, the internal process of managers was viewed as management of the company, which was performed considering the identity. VAMS, a tool provided by Conglom, gained a forward role in driving the internal process of management, resulting in a series of strategic initiatives implemented top-down to change operations. Contrastingly, the WholesaleCo managers, whose identity of work centred on WholesaleCo, were involved in operations to a much wider extent. A driving force for this was the fact that most of the management team at WholesaleCo had dual roles – the CEO was also head of sales, and the head of purchasing & market worked with managing purchases and inventory but also participated in acquisition planning and strategizing. This partial inclusion (Drazin et al, 1999), where actors were simultaneously part of the intersubjective groups of management and sales or purchasing, resulted in knowledge integration (Wouters & Roijmans, 2011), which came to impact their sensemaking of internal transparency. The internal process for WholesaleCo managers was not only management of the company, but also participation in its operations. The CEO specifically mentioned this in his comment on how the leader of a sales company would always be ultimately responsible for sales, and to stay in contact with important suppliers and customers. This idea of a sales company served as a link in the sensemaking of global transparency and internal transparency for the CEO and the salesmen, as it reinforced the operational emphasis both in terms of defining the 'bigger picture' for global transparency and making sense of the internal process underlying internal transparency.

Contrastingly, the sensemaking of global transparency among many of the employees at the operational level of CarinspectCo was clearly centred on CarinspectCo, with little emphasis given to Conglom. The 'bigger picture' for them was related to their identity as technicians [at CarinspectCo], in contrast to being salesmen [at Conglom], as phrased by the station manager. This contrast showcased the interplay between perceived global and internal transparency; the role of technicians as responsible for upselling and customer service, which was imposed on operations by top management, was by many perceived as conflicting with the identity of the technicians. The internal process of car servicing was closely related to the identity of the technicians, which in turn was key for the sensemaking process of global transparency as the service identity was closely linked to the overall view of CarinspectCo[7].

The definition of global transparency at the operational level of WholesaleCo coincided with that of division management, with the identity of work being related to the sales-centred firm of WholesaleCo. However, operations of the firm consisted of several functions – sales, product development and purchasing. These groups had diverging definitions of the internal process, and were engaged in a balancing act for the attention of the MCS, as showcased by the comments of the product manager on

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[6] An interesting event showcasing this 'bigger picture' occurred during our main study. At WholesaleCo, midst a discussion on the use of VAMS, the interviewee concluded that she had not memorized the strategic initiatives, and consequently handed us printed copies us their VAMS strategy. In contrast, when we requested this at CarinspectCo, it took several phone calls to Conglom HQ before we were allowed access to the same document – and even then, with much of the content censored. This further confirms the other empirical findings pointing towards diverging views of Conglom's role in the two divisions.

[7] The quote from the CFO serves as an example of this coupling: the employees that started in the government car inspection viewed their work as servicing the car, rather than serving the customer.

how sales and product development 'lived in their separate worlds', and the head of purchasing & market's story on how he was not always transparent towards sales with his purchase prices.

As we see, the diverging definitions of 'the bigger picture' between management and operations in CarinspectCo coincide with diverging definitions of the internal process, with the consequence that the two groups come to perceive VAMS and the strategic initiatives that result from it in separate ways. In contrast, management and operations at WholesaleCo share definitions of 'the bigger picture' of global transparency, whereas the knowledge integration (Wouters & Roijmans, 2011) driven by the dual roles of management contributes to a more coherent definition of the internal process for internal transparency.

## 5.2 Flexibility to repair the local process

Flexibility was posed with the question '*What is the intent with flexibility?*' by which we sought to capture the way in which flexibility was used. Our theoretical framework suggested two ways for middle managers to do this by comparing Jordan & Messner (2012) and Weick (1995): 'business-as-usual' or 'to change status quo', and as it turned out, both uses were found in our cases. However, the diverging definitions of transparency also came to serve a vital role for the flexible use of VAMS in the both divisions.

Within division management of CarinspectCo, where global transparency was defined in relation to Conglom and internal transparency in relation to the process of managing the firm, VAMS came to be used as a tool for changing status quo. This was allowed by the inherent flexibility in the system, as indicated by the interviewees at Conglom HQ. Conversely, the same flexibility allowed WholesaleCo managers to use VAMS merely as a tool for upline communication with Conglom whom they interpreted as external owners, with their global transparency centring on WholesaleCo. Internal control directed at operations in WholesaleCo did not change much with the introduction of VAMS, they were already measuring what they perceived to be important since before the acquisition of Conglom. This was also driven by the managers' dual definition of internal transparency, where they both managed the firm and played important roles in operations.

At CarinspectCo, the flexible use of VAMS as a tool for change allowed repair through new strategic initiatives. However, the question posed for repair in our theoretical framework – '*How does my repair effort impact those around me?*' – focuses on the consequences of this, by emphasising the ongoing enactment between the repairer, those allowing repair, and those impacted by the repair process, which come to impact their sensemaking of the feature (Weick, 1995). The change initiative brought along new, flexible working hours, allowing management to repair gaps in the supply/demand relation – thus increasing customer satisfaction – by forced overtime and extended opening hours. In contrast, at WholesaleCo VAMS was mainly a tool for communicating with Conglom, thus requiring little repair if targets were met, which they were (at the time of the study).

The flexibility in the use of VAMS on the division management level played a crucial role in how flexibility and repair materialized at the operational level. In CarinspectCo, the VAMS-driven change brought along a number of strategic initiatives which, although providing repair for managers, came to limit both flexibility and repair for many of the technicians at the operating level. Their resistance towards the upselling programme had its roots in their identity-grounded sensemaking as service technicians, a combination of the definitions underlying internal transparency (car service, rather than sales & customer service) and global transparency (CarinspectCo, rather than Conglom). This came in conflict with the new, intended role of them as salesmen responsible for improved customer service and upselling, as it limited their flexibility by setting additional rules to their work process. They now had pressure from management to sell upgrades to customers, and did not control the customer interaction

on their own as they had before. No longer could they inspect a car faster and expect to have the rest of the allocated 20 minutes per inspection as break time. Repair, in turn, was limited by the new IT-system, another strategic initiative, as it complicated the process of handling drop-in customers, as the new system could not register them in empty time slots, a repair function which had been part of the previous system.

At WholesaleCo, operating personnel also made sense of the strategic initiatives bearing their definitions of global transparency (belonging to WholesaleCo) and internal transparency (the differing internal processes – salesmen, product development and purchasing) in mind. The strategic initiative of re-merging with the internal brand division was viewed as natural, as the divisions had been separated by a previous owner, and the reunion was perceived as bringing together two firms under the same context. They were viewed as part of the same 'bigger picture', and thus included in the context for defining global transparency. The strategic initiative of focusing on the fastening product line FAST was received in the same manner. But the effect, although not negative, differed between subdivisions. For product development, the new line allowed increased flexibility and repair, as it eased the political conflict of which products to include in product lines. Sales perceived the change as positive, but as their work process already had a high degree of repair and flexibility in deciding which products to sell, the change was not seen as contributing additionally. Hence, the flexible use of VAMS came to be viewed as 'business-as-usual' (Jordan & Messner, 2012). The current situation already made sense to a large extent, rendering sensemaking unnecessary (Weick, 1995).

Summarizing this discussion of the questions posed in our theoretical framework, we are now ready to answer them and interpret the answers. The suggested answers considering our empirics are presented in figure 4, and the answers are discussed in the following section.

| Question | Feature | CarinspectCo Management | Operations | WholesaleCo Management | Operations |
|---|---|---|---|---|---|
| **What is the bigger picture? (Context)** | Global transparency | Conglom | CarinspectCo | WholesaleCo | WholesaleCo |
| **What is the internal process?** | Internal transparency | Management | Operations - Car servicing | Management and operations | Operations - sales, product development, purchasing |
| **What is the intent with flexibility?** | Flexibility | VAMS used flexibly to manage in context of Conglom, changing status quo | VAMS perceived as being in conflict with the identity of car servicing at CarinspectCo | VAMS used flexibly for upline communication with Conglom, with 'business-as-usual' towards operations | VAMS perceived as in line with context of WholesaleCo |
| **How does my repair effort impact those around me?** | Repair | The repair effort of management came at the expense of (parts of) operations, who perceived the initiatives as in conflict with their role | IT issues not recognized by management as a problem important enough to give ability to repair, given the cost to do so. IT was therefore viewed as a problem that limits repair by operations. | Framing of VAMS as upline communication limited the need for repair on management level, but allowed repair in operations | Strategic initiatives did not limit operational staff's possibility to repair |

**Figure 4 – answering the critical questions**

## 5.3 The interplay of the features of Adler & Borys

As the previous section shows, by answering the questions posed in our theoretical framework we can see an interplay between the features of Adler & Borys (1996) in how division managers and operational staff make sense of the MCS. However, this interplay differed between the groups.

At the management level, the inherent flexibility of VAMS was the anchoring feature, similar to the case studies of Ahrens & Chapman (2004) and Englund & Gerdin (2015). This flexibility allowed for division managers in both firms to frame their global and internal transparency at choice, as well as allowing for measures of repair when desired, although only CarinspectCo opted for it in practise through the strategic initiative of overtime use, allowing repair primarily to managers. However, as discussed in the theoretical framework, underlying repair are two dimensions – ability and permission. The high degree of flexibility in the VAMS system *permitted* repair for the management teams of both divisions, but WholesaleCo management showcased the *ability* dimension by framing their strategic initiatives in a way which did not limit the repair of the operational staff. This ability was provided by their partial inclusion (Drazin et al, 1999) in dual roles, allowing the knowledge integration (Wouters & Roijmans, 2011) that gave them understanding of the operational work process, thus enhancing perceived internal transparency for WholesaleCo management. Hence, we can argue that repair was permitted by the flexibility of VAMS, but also in turn enhanced by internal transparency.

Moreover, an interplay is found between global and internal transparency, as shown by how CarinspectCo division management defined their global transparency in relation to Conglom, and thus defined their internal process as the management of the division. In WholesaleCo, on the other hand, management's involvement in operations resulted in a dual definition of their internal process, and framed their view of 'the bigger picture' as WholesaleCo, with Conglom viewed as external owners.

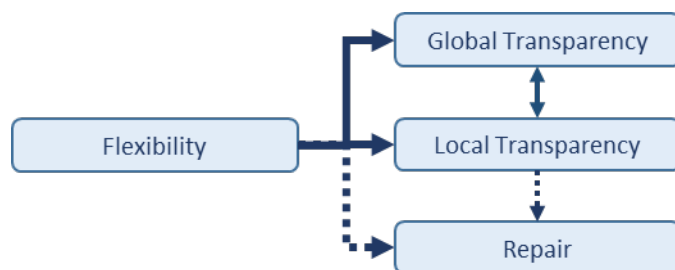Summarizing, a model of the interplay between the features on the division management level is shown in figure 5:



**Figure 5 – the interplay of features among division management**

Among operational staff, in turn, the interplay differed from the model presented above.

The definitions underlying the perception of transparency, came to impact the way in which flexibility and repair was formed in the use of VAMS, thus impacting perceived flexibility and repair for operations. In CarinspectCo, where the definition underlying global transparency differed between management and operations, VAMS was operationalized by management in a way which conflicted with operating personnel's identity of themselves as technicians. Thus, management limited their perceived flexibility and repair. The identity of work was a defining factor of operating personnel's definition of both global and internal transparency as it was linked to the work process, which in turn defined their view of the organizational identity of CarinspectCo. As their definition differed from the definition of division management, and because the strategic initiatives rather reflected managements' definition than that of operations, the technicians who felt their flexibility and repair was limited also did not view the system as internally or globally transparent.

At WholesaleCo, the definition of global transparency coincided between management and operations. As they shared division management's view of transparency, operational staff also understood the controls in light of their definitions of 'the bigger picture' and their work process, which led them to perceive the controls as internally and globally transparent. VAMS was used by management in a way which aligned with operational personnel's views of the organizational identity, as defined by their respective work processes, thus allowing them to retain flexibility and repair. In fact, VAMS was not really operationalized to any significant extent; its use mimicked the same MCS practise that WholesaleCo had always used, and VAMS was primarily seen as a tool for upwards communication of organizational performance. Thus, flexibility as 'business-as-usual' (Jordan & Messner, 2012) was truly the case here.

Combining the cases, the interplay between the features on the operational level contrasted that on the division management level. Where figure 5 shows a reliance on flexibility underlying the other features, the operational level rather anchored on the combination of internal and global transparency, setting the context in which VAMS was perceived to offer flexibility and/or repair. This is summarized in figure 6:
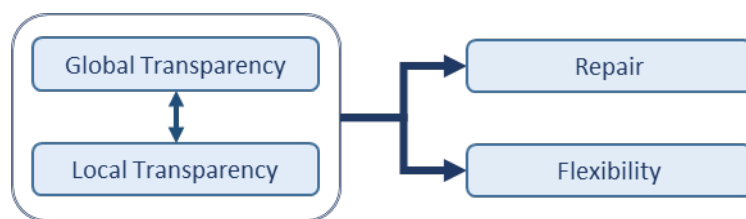


**Figure 6 – the interplay of features among operational staff**

Summarizing these contrasting empirical cases, we see that the coherence between those controlling and those controlled in terms of 'the bigger picture' appears to be a key driver in achieving an enabling perception of the control instigated by the MCS. Although VAMS was perceived as enabling on the division management levels in both CarinspectCo and WholesaleCo, in the latter the knowledge integration (Wouters & Roijmans, 2011) generated by partial inclusion (Drazin et al, 1999) of management in operations gave them an understanding of the operational processes through internal transparency. This allowed them to channel control in a way which was not in conflict with the operational staff's definition of 'the bigger picture' – i.e. their definition of global transparency. Hence, MCS use in WholesaleCo was coherent in relation to perceived global transparency. In CarinspectCo, contrastingly, the view of 'the bigger picture' differed between management and parts of the operational staff, which lead to a perceived lack of global transparency for the latter in relation to the strategic initiatives instigated by management. As the initiatives were aligned with managements' definition of global transparency related to Conglom, rather than that of operations, MCS use in CarinspectCo was incoherent in relation to perceived global transparency among many technicians.

## 5.4 Sensegiving and sensebreaking between division management and operational staff

How, then, does the sensemaking of division managers' impact that of the employees below – or vice versa? The importance of the diverging definitions of global transparency is further highlighted here, as VAMS comes to use in disparate ways in the different divisions.

In CarinspectCo, the flexibility in use allowed the VAMS system to be operationalized in a sensegiving effort (Gioia & Chittipedi, 1991; Jordan & Messner, 2012) to change the way in which technicians in operations viewed their work, from being government employees focused on technical car safety to

being salesmen in the new, privately owned CarinspectCo. Given the clear critique posed against the previous technician identity, as highlighted by the quotes on implementing change 'in the minds of the staff', old technicians as 'part of the furnishing' who 'take care of the car, not the customer' and referring to the statement of being a serviceman as 'bullshit', we can argue that the sensegiving was in fact reinforced by sensebreaking (Pratt, 2000). The comment of the change in the organization as being 'more and more self-sanitizing', as employees critical to change chose to leave, highlights a clear connection to the empirics of Pratt (2000). The consequence of sensebreaking in his case of Amway was either acceptance of the new image of the organization, or a complete break with it, leading the employees to resign – similar to the 'self-sanitizing' effect in our case.

In WholesaleCo, on the other hand, the shared definition underlying global transparency with the division in the centre and Conglom as the external owner entailed in a different use of VAMS. Rather than trying to change the organization below, division managers used VAMS as an upline communication tool, decoupling from the 'bigger picture' of Conglom and thus shielding operations from change that might be in conflict with the inherent, strongly rooted view of the division. The change that still took place was communicated in a way which enhanced the notion of 'business-as-usual' (Jordan & Messner, 2012), indicating a sensegiving effort (Gioia & Chittipedi, 1991) for retaining the inherent identity of the organization rather than changing it. In relation to this, Conglom management – consciously or not – engaged in sensegiving efforts (Gioia & Chittipedi, 1991) to infuse WholesaleCo management with inclusion in the common identity of the Group through initiatives such as the acquisition programme and other training programmes. However, as WholesaleCo was still rather new as member of the Conglom group and their management were deeply rooted in the operational history of the company, this view had not yet changed substantially.

Summarizing the case analysis, we can conclude that answering the four critical questions posed in our theoretical framework opens our understanding for how the different actors using the MCS – division managers and operational staff – came to perceive it as having or not having the features of repair, flexibility, internal transparency and global transparency (Adler & Borys, 1996). This understanding, in turn, allowed us to analyse the interaction between the features for both division managers and operational staff, as well as the interaction between these groups resulting from the sensemaking efforts.

## 5.5 Discussion

The case analysis presented above presents findings that both confirm, refine and contradict previous research on the nature of MCS as coercive or enabling.

Division managers' use of MCS in Conglom anchored on the inherent flexibility of the system, allowing them to define internal and global transparency and to use strategic initiatives for repair, indicating a similar cause-effect relationship as found by Ahrens & Chapman (2004) and Englund & Gerdin (2015). Although Ahrens & Chapman studied the features among operational managers, they hold a similar role as the division managers in our case of WholesaleCo – channelling the control from above into use at the operational level, on which they play an active role. This comparison between the case of Ahrens & Chapman (2004) and our empirics adds another nuance to the literature, as it highlights the importance of knowledge integration (Wouters & Roijmans, 2011) in *the ongoing use* of MCS, in addition to its role in the development process as suggested by Wouters & Wilderom (2008), Wouters & Roijmans (2011) and Groen et al (2012).

The suggested interplay of the features among division managers is interesting when compared to the findings of Chapman & Kihn (2009). Despite the fact that our division managers anchor on flexibility for the other features to be present, their study finds no correlation between it and the other features of Adler & Borys (1996). Although our study, given our limited, qualitative research effort in contrast to

their wide survey, naturally cannot disconfirm their findings, we can attempt to refine their findings by suggesting an explanation. The flexibility inherent in the VAMS system was, although mentioned by some division managers, not the predominant feature in their minds. Rather, interviewees emphasised what the flexibility allowed them, in form of repair and transparency. This indicates that flexibility could be viewed as a background characteristic, as it was mainly highlighted for us by how top management described the design of VAMS, rather than by how division managers talked about it. As such, the survey format is perhaps unable to capture the full dynamic of the feature, especially given the rather narrow questions posed for it (see Chapman & Kihn, 2009, p.160 for these questions).

The definitions underlying transparency, both internal and global, came to have an important impact on how operational staff made sense of the strategic initiatives created, i.e. the processes resulting from the MCS use of managers. At the operational level, internal and global transparency were determining drivers for perceived flexibility and repair. More specifically, the definition of global transparency by context ('the bigger picture') influenced and was influenced by the definition of the process underlying internal transparency. This interplay resulted in an image of the actors' role (related to the process) and context (related to 'the bigger picture'), producing a work identity which came to underlie the sensemaking process of flexibility and repair for operational staff in both CarinspectCo and WholesaleCo. As compared to Englund & Gerdin (2015), who found that perceived transparency can fluctuate without significant changes in MCS, our results suggest that perceived transparency – in terms of an actors' role in a larger context – could also potentially change due to a changed view of what the bigger picture is to that specific actor.

Our results both match and extend those of Jordan & Messner (2012), namely the idea that control systems that propel existing practice and are in part based on the logic of "business as usual" (Jordan & Messner, 2012, p.559) are more prone to become enabling as attention will stay with improving existing processes. Our contrasting cases confirm this – in WholesaleCo, sensegiving efforts of division management framed VAMS for operational staff to make sense of as "business as usual", leading to the MCS being perceived as enabling. In CarinspectCo, however, introducing VAMS was intended to change the logic behind the car technicians' jobs. As such, it was not "business as usual" (Jordan & Messner, 2012) but rather a change in status quo (Weick, 1995) which moved the employees' attention from improving the operations (enabling) to subduing to top management demands (coercive). The focus of management demands, however, was not on measurement, as in the case of Jordan & Messner (2012), but rather on a change in operations conflicting with the view of parts of the operational staff. This indicates that an emphasis on improving existing practises as described by Jordan & Messner (2012) is not necessarily a common definition – as some saw it as a deterioration of existing processes, rather than as an improvement, they came to perceive the change as coercive.

Moving beyond the separate hierarchical levels, the notion of context or 'the bigger picture', found to be a defining factor of global transparency, also appears to play the role of a key driver for enabling MCS use in the wider scope of the firm. To theoretically capture this notion, we introduce the concept of *MCS coherence* to describe the use of MCS in a way that is coherent with the definitions of global transparency for both the controller and the one controlled – i.e. when these groups have shared definitions of the context of global transparency.

As shown by our case analysis, MCS coherence is enhanced by knowledge integration (Wouters & Roijmans, 2011) between the controller and the one controlled (in our case, division management and operations), as the partial inclusion (Drazin et al, 1999) of management in operations aligned the contexts of the groups. This coherence, given the flexibility granted in the use of the MCS, allowed division managers in WholesaleCo to frame the strategic initiatives resulting from the MCS use as

'business-as-usual' or even as returning to previous best practises. Thus, employees' attention was retained on the operational processes instead of on the controls as such, similar to the case in Jordan & Messner (2012). This framing resulted in a sensegiving effort (Gioia & Chittipedi, 1991) to retain the self-image of the division as the "125-year success story", in contrast to the image of a division of Conglom among the others.

Contrastingly, the *lack of MCS coherence* in combination with the flexibility allowed in the MCS, lead to the strategic initiatives in CarinspectCo being enforced by sensegiving to change status quo. This was amplified by sensebreaking efforts (Pratt, 2000) to change the self-image present at parts of the operational level. Perhaps paradoxically, the lack of coherence also interfered with the creation of coherence, as one aim with the strategic initiatives was to force a change in the definitions underlying internal and global transparency for operations of CarinspectCo. This would, if successful, thus align them with the definitions of division management and establishing coherence for future MCS use.

Reconnecting this to the previous literature, we propose that our concept of *MCS coherence* can serve as an explanation to the suggestions of Neu et al (2014) and Mouritsen (2014) that distance can lead to coercion. As our study shows, in the intra-organizational context of MCS use *distance* becomes coercive when the MCS is incoherent. The incoherence leads to the MCS being used in a way which conflicts with the self-image of those controlled, as their definition of the context of global transparency diverges from that of the controlling party. In contrast, we also see that knowledge integration (Wouters & Wilderom, 2011) can enable MCS coherence. As the MCS are used in a way coherent with the self-image of those controlled, the question of *coercion by distance* is solved.

Although outside the scope of this study, we could think of this in the inter-organisational context as increased cooperation between supply-chain members, information sharing, and other methods suggested by inter-organizational accounting research (Dekker, 2004; Håkansson & Lind, 2004), as these methods could increase global transparency by aligning potentially diverging definitions of 'the bigger picture' between actors engaged in inter-organizational interaction.

Relating to the fields of accounting and sensemaking, we can also relate our findings to the study of Moilanen (2016). Her study on post-merger integration suggested that formal accounting structures did not fully explain the sensemaking taking place in the acquired firm, as said structures were interpreted in light of the different personal consequences and emotions resulting from the changes imposed. Looking at our case in the two divisions, we can agree with the notion that formal structures cannot fully explain sensemaking, as the same general structure came to be used in separate ways. However, we can take this argument even further than Moilanen (2016), as the case of CarinspectCo shows that the same consequences from change can raise different emotions, thus leading to different outcomes of the sensemaking process and different reactions towards the change imposed. The suggestion of Moilanen (2016) to include the perspective taken can thus be refined, by suggesting that one such perspective can be the global transparency (Adler & Borys, 1996; Ahrens & Chapman, 2004) of the MCS.

# 6. Conclusions & Contributions

The aim of this study was to explore how a management control system (MCS) comes to be seen as enabling or coercive by middle managers and operating staff as the result of their respective sensemaking processes (Weick, 1995) and the interaction between these groups. The research question posed was "*How does the intermediary role of the middle manager come to influence the sensemaking of MCS as coercive or enabling among those he controls*?" We have pursued the answer to this question through the case study of Conglom, a Swedish investment conglomerate, with two contrasting, embedded cases showing how division managers in the subsidiary divisions of CarinspectCo and WholesaleCo use the central MCS, taking the role of intermediary middle managers (Floyd & Lane, 2000) in the context of Conglom as a whole.

Given the open-ended, exploratory question, the answer is both wide and multi-faceted, as shown in our case analysis in the previous chapter. In short, we can conclude that the intermediary role is found essential to the outcome of a MCS as coercive or enabling, as the diverse ways in which middle managers make sense of and use MCS lay ground for how it comes to be perceived by those controlled by him. However, as predicted, the key contributions of this study relate to how this comes to be, rather than to the answer as such.

Our study contributes to the literature on enabling and coercive uses of MCS by highlighting different ways in which repair, flexibility, internal transparency and global transparency (Adler & Borys, 1996) interplay in the use of MCS in Conglom. Among the middle managers, we find similar interactions between the features as previous studies (Ahrens & Chapman, 2004; Englund & Gerdin, 2015) with flexibility as the anchor for repair and transparency, both internal and global. This leads us to question the way in which Chapman & Kihn (2009) cover flexibility, as their findings do not find any correlation between it and other features. Moving to the operating staff, however, this model of interaction changed, as the MCS was made sense of based on an interplay between global and internal transparency, which underlay the definitions of repair and flexibility.

This interplay of transparency highlights our main contribution – the concept of *MCS coherence*, which we propose as a solution to the indications in previous studies (Neu et al, 2014; Mouritsen, 2014) that distance can lead to accounting becoming coercive. As our case suggests, a MCS is coherent when the definitions underlying internal and global transparency are aligned between the controller and the controlled, as this allows the MCS to be used in a way that is perceived as enabling by those controlled, i.e. a way which incorporates the four features of Adler & Borys (1996). In contrast, we find that MCS incoherence leads to a use of MCS which, although enabling for middle management, is found coercive by parts of the operational staff as their definitions of internal and global transparency come in conflict with the definitions of middle management that underlie the MCS use. Hence, they come to view the control as limiting their flexibility and ability to repair.

MCS coherence gave rise to different types of interplay between middle managers and operational staff. In the case with the coherent MCS, the system was used in a sensegiving effort (Gioia & Chittipedi, 1991) to maintain 'business-as-usual' (Jordan & Messner, 2012) by framing any changes needed as in line with the organizational identity, i.e. in line with the definitions of transparency. When the MCS was used incoherently, in contrast, its use came to constitute efforts of sensebreaking (Pratt, 2000) and sensegiving (Gioia & Chittipedi, 1991) aimed at 'changing status quo' (Weick, 1995), which met powerful responses as operational employees resisted the change and even quit in some cases, a similar reaction as in the case of Pratt (2000). These findings contribute to the literature on sensemaking and accounting, both in a broader sense by highlighting how different actions to impact sensemaking come

to influence enabling or coercive control, but also more specifically by providing an empirical example of how sensebreaking (Pratt, 2000) can materialize in the accounting realm.

The definitions to be aligned are 'the bigger picture' of the organization (global transparency) and the internal process (internal transparency), which are shown to underlie actors' sensemaking of MCS. Our findings further indicate that MCS coherence, the alignment of these definitions, can be increased by knowledge integration (Wouters & Roijmans, 2011), which in our case took place through the partial inclusion (Drazin et al, 1999) of management simultaneously having dual roles in management and operations. Although outside the scope of our study, this finding still invites us to reflect on the suggestion of accounting becoming coercive over distance posed in inter-organizational research (Neu et al, 2014; Mouritsen, 2014). Several novel ideas that have emerged in inter-organizational accounting during the past decades, such as supply chain coordination and information sharing (Dekker, 2004; Håkansson & Lind, 2004), are similar in their aim as the knowledge integration (Wouters & Roijmans, 2011) observed in our case. We therefore propose that these methods could serve a role in solving the problem suggested by Neu et al (2014) and Mouritsen (2014) of accounting becoming coercive over distance, similar to how knowledge integration is shown to increase MCS coherence in our study.

Relating to the field of sensemaking and MCS, our study refines the conclusion of Moilanen (2016) that formal accounting structures do not fully explain the sensemaking taking place in an acquired firm, as different personal consequences and emotions also play in. We add to this by highlighting that not only different, but also the same personal consequences can be made sense of differently, thus further increasing the complexity involved.

Our findings also connect to the discussion of Jordan & Messner (2012) on how emphasising 'business-as-usual' and focusing MCS use on improving existing operational processes is seen as enabling, in contrast to coercive perceptions when focusing the MCS on targets and measurement. Our case found this 'business-as-usual' emphasis leading to the MCS being seen as enabling, thus confirming the suggestion of Jordan & Messner (2012). The contrast here, however, was not an emphasis on measurement, but rather the use of MCS to 'change status quo' (Weick, 1995) which was perceived as coercive by actors who felt this to be a deterioration of existing operational practises rather than an improvement. Thus, we build on the findings of Jordan & Messner (2012) with the notion that an emphasis on operational improvement does not become enabling per se – if some actors find the changes to be to the worse, they might come to view it as coercive.

As a final contribution, we respond to the calls for research on individual differences in perceptions of the features of Adler & Borys (1996) as well as MCS (Tessier & Otley, 2012), by showing the same MCS can indeed render vastly different perceptions in terms of enabling or coercive even within the same group of actors – in our case, the technicians in CarinspectCo. As previously mentioned, MCS coherence in terms of shared definitions of internal and global transparency between the controller and those controlled is shown underlie enabling uses of MCS. Hence, we can argue that individual differences in perceptions of MCS can result from how individuals define the bigger picture (global transparency) and their work process (internal transparency). However, the wide focus of our study entailed a widely spread empirical exploration, which limited our possibility to study these differences to a wider extent. This conclusion should thus be viewed with that in mind.

# 7. Limitations and suggestions for further research

As with any case study, ours is naturally subject to a number of limitations and boundary conditions. First, as we are limited to a single case, we cannot claim empirical generalizability of our findings. Rather than proving 'how things are', we strive for additional understanding of the concept of enabling control by providing another way of how it can manifest itself in practise – our perspective is that of the interpretivist, rather than that of the positivist (Slevitch, 2011). As such, validity of our findings is not primarily sought in terms of generalizability but rather in terms of achieving a credible degree of description (Sale et al, 2002), as argued in our research design section.

A second limitation relates to this credible degree of description. Given the storyline that came to unfold itself in our empirical case, the study comes to rely on a certain extent on retrospective reasoning and second-hand descriptions. This resulted from our desire to understand the sensemaking of our interviewees, considering which we allowed a certain freedom for them to lead the discussion and choose subjects. This granted us a rich, interesting case, but given the retrospective foundation of sensemaking (Weick, 1995), the cases adopted a longitudinal aspect, as they describe events occurring over the course of a few years. Striving to capture and understand the interaction of different actors in our cases also led us to allow a certain extent of second-hand sensemaking, where interviewees described the feelings and perceptions of others. However, this was only included in the final study in those cases where several separate interviewees confirmed each other's testimonies, which still limits the study to the correctness of these testimonies.

Our findings also open for several suggestions for future research.

A natural starting point is to call for additional research on the concept of *MCS coherence* introduced in this study. Although we show how diverging definitions of global and internal transparency can impact MCS use in a decentralized firm, further studies could follow up on this in other contexts where this issue could be problematic, such as the inter-organizational realm of supply chains. A more specific idea for further research in this context would be to empirically follow up on our suggestion that inter-organizational accounting methods such as supply chain coordination and information sharing could post a similar effect on accounting over distance as knowledge integration did in our case. The typology of global transparency from Adler & Borys (1996) could be useful in finding whether these methods could help explain the issue of coercion by distance suggested by Neu et al (2014) and Mouritsen (2014).

Relating to our domain, our study also responds to the call for research on how perceptions of enabling control can differ, which has been posted both in the wider context of bureaucracies (Adler & Borys, 1996) and in the more specific context of MCS (Tessier & Otley, 2012). Although our findings show that these perceptions can differ between individuals in the same intersubjective group (Drazin et al, 1999) due to MCS coherence, our empirical process was not designed for this question, thus limiting our conclusions on how the differences materialize within these groups. Additional empirical investigation is thus needed to investigate this.

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# Appendix A – Interviews

| Title | Length (minutes) | Company |
|---|---|---|
| Board member, head of investment commitee | 30 | Conglom |
| Head of Finance | 45 | Conglom |
| Controller | 50 | Conglom |
| CFO | 50 | CarinspectCo |
| Board member, CFO of parent holding company | 40 | WholesaleCo |
| CFO | 60 | Conglom |
| Head of Finance | 75 | WholesaleCo |
| Controller | 50 | CarinspectCo |
| Regional manager | 55 | CarinspectCo |
| Station manager | 60 | CarinspectCo |
| CFO | 45 | CarinspectCo |
| CEO | 60 | WholesaleCo |
| Salesman | 55 | WholesaleCo |
| Head of Purchase & Market | 50 | WholesaleCo |
| Product manager | 50 | WholesaleCo |
| **Total length** | 12,9 | hours |
| **Average length** | 52 | minutes |

# Appendix B – Internal Documents

| Document | Number of pages | Company/division |
|---|---|---|
| Template/guideline for Business Review board meeting | 22 | Conglom (all divisions) |
| Template/guideline for Financials & Analysis board meeting | 18 | Conglom (all divisions) |
| Template/guideline for reporting VAMS | 2 | Conglom (all divisions) |
| Bolt-on acquisition process guidelines | 3 | Conglom (all divisions) |
| Business Review board meeting protocol | 54 | WholesaleCo |
| Guidelines for financial reporting in Conglom | 14 | Conglom (all divisions) |
| **Total** | 113 | |

# Appendix C – Glossary of key concepts

| Word/concept | Source | Definition/explanation |
|---|---|---|
| Sensemaking | Weick (1995) | The ongoing process of perception and interpretation of ones surroundings, and the planning of a suitable response to this |
| Sensegiving | Gioia & Chittipeddi (1991) | The act of trying to influence others' sensemaking efforts, by infusing them with your own, desired perspective |
| Sensebreaking | Pratt (2000) | The effort to breaking someone's understanding or view of a phenomenon, in order to them more open to sensegiving |
| Repair | Adler & Borys (1996) | The power to correct failures/malfunctions in MCS processes or work processes that the MCS governs |
| Flexibility | Adler & Borys (1996) | The power to use MCS processes or work processes that the MCS governs flexibly, adapting to emerging circumstances |
| Internal transparency | Adler & Borys (1996) | The level of visibility for the user into MCS processes or work processes that the MCS governs |
| Global transparency | Adler & Borys (1996) | The level of visibility into the larger context of the organization, and one's role in it |
| Knowledge integration | Wouters & Roijmans (2011) | The sharing of operational knowledge to leverage different competences in the development of MCS or work processes that the MCS governs |
| MCS coherence | Developed in this study | A state where definitions of global transparency in terms of context are aligned between managers and those controlled, leading to a use of MCS perceived as enabling |