Bachelor Thesis Degree Project in Accounting and Financial Management
Stockholm School of Economics

RETHINKING PERFORMANCE: MANAGING SOCIO-IDEOLOGICAL TENSIONS WITH TECHNOCRATIC CONTROLS

A qualitative study of the effects on Performance Management Systems in an organization with a strong culture post-acquisition.

Abstract: By conducting a qualitative single case study on a Swedish acquisition, this paper aims to examine the implications on Performance Management Systems post-acquisition, where the acquiree is characterized by a strong culture. By analyzing the findings from nine interviews using the framework of *technocratic* and *socio-ideological* controls by Alvesson & Kärreman (2004), we found a significant interplay in the controls. Further, we discovered a shift in the direction of the influential relationship of controls, moving from socio-ideological controls affecting technocratic controls to the inverted relationship by e.g., the implementation of *the development model*. Although financial performance improved following the employment of change strategies suggested by previous studies in this field, the intended outcomes regarding cultural integration are yet to be fully realized. Thereby this study both supports and expands on previous research, by further proving that post-acquisition change implementation and integration are highly contextual.

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Keywords: Technocratic controls, Socio-ideological controls, Performance Management Systems (PMS), Interplay, Cultural impact, Acquisition

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1. Introduction

1.1 Background

The practice of evaluating the performance of individual employees and teams through a specific system is a widespread phenomenon, used in nearly all organizations of all types (Aguinis et al., 2011). The high presence of Performance Management Systems (PMS) among Swedish companies is further supported by Landström et al., (2018). A significant instance of poor performance management was the Wells Fargo scandal in 2016, demonstrating the cruciality of applying appropriate metrics and targets (Tayan, 2016). Accordingly, PMS is an interesting topic for researchers as demonstrated by the wide variety of work in the field. Previous studies range from their role in organizations and strategy (Aguinis et al., 2011; Busco et al., 2008; Lewandowski & Cirella, 2023), to the design and different usage methods (Ferreira & Otley, 2009; Frederiksen et al., 2020; Kadak & Laitinen, 2023; Schrøder-Hansen & Hansen, 2023) in addition to the challenges implied (Franco-Santos & Otley, 2018; Landström et al., 2018). Further, the correct use of PMS is crucial for the competitiveness of organizations (Carpi et al., 2017).

Moreover, organizational change is a perpetually relevant phenomenon, thereby a beyond well-studied topic (Furst & Cable, 2008; Oreg et al., 2011; Poole & Van de Ven, 2021; Schwarz et al., 2021; Stouten et al., 2018, among others) and has only become more relevant the last three decades as a result of the developing business environment, considering the increasing competition, globalization and digitalization to name a few (Busco et al., 2006). Acquisitions play a great role in the organizational change journey toward reaching its strategic goals, while mergers and acquisitions (M&A) situations could also represent one of the most radical changes a firm could endure (Choi et al., 2011). Sweden dominates the Nordic M&A market, accounting for almost half of the transaction value (totaling US$ 105,2 billion) and nearly 40% of the deals in the region in 2022 (Airisto et al., 2023). The effects of these transactions are thereby of great interest to all business actors, including potential acquirers, acquirees and their respective stakeholders, at both domestic and global levels. Furthermore, the already complex aspect of M&A as an organizational change becomes even more complex in the presence of cultural differences (Busco et al., 2006, 2008; Granlund, 2003).

1.2 Problematization & Research Question

The intersection of PMS and organizational change has been investigated by several researchers (Castelo & Gomes, 2023; Ezzamel et al., 2008; Mabasa & Flotman, 2022), and further, the phenomenon characterized by cultural challenges (Burns, 2000; Busco, 2003; Busco et al., 2006, 2008; Carlsson-Wall et al., 2019; Granlund, 2003; Kraus et al., 2017).

Burns (2000) discovered the dynamics of accounting and organizational change in a UK manufacturing firm, where contrasting visions regarding work practices posed a challenge in the implementation process. Moreover, Busco (2003), Busco et al. (2006, 2008), and Carlsson-Wall et al. (2019) investigated cases of updated PMS to improve profitability and efficiency following multinational M&A. Consequently, how they were implemented to be accepted despite diverging values. Kraus et al. (2017) investigated the role of organizational ideology in MCS within an Indian NGO. They found "ideological talk" to serve as a powerful tool to generate managerial control and secure minimal resistance when implementing more financially oriented MCS. Granlund (2003) underlined the possible obstacles when merging MCS of organizations with strong company cultures. Moreover, he emphasized the use of dedicated management practices to mitigate these.

Additionally, Banks & Murphy (1985) presented the existing gap between research and practice in performance appraisal as a component in PMS and suggest further research to fill this gap and align research with practical use. Despite the dating of the study, effective performance appraisal and management is still a highly relevant research field where improvement is constantly in demand (Schrøder-Hansen & Hansen, 2023).

With the above in mind, given the widespread occurrence of both PMS and M&A in Sweden, appropriate contextual research is crucial to fully understand its implications in this environment. Knowing the large impact that political and cultural divergence could have on this phenomenon, sufficient studies on Swedish cases to explain the implications on PMS in an acquisition setting characterized by a strong culture are yet to be made. Consequently, this calls for an analysis of the interplay between the “hard” and “soft” aspects of control. Addressing the aforementioned gap in the literature, this study aims to answer the following research question:

How are Performance Management Systems (PMS) in an organization with a strong culture affected by an acquisition?

For this purpose, we examined the acquisition of William Enterprise by Capital Partner, with "William Enterprise" denoting the post-acquisition state and the previous name "Farmers Union (FU) Services" signifying the pre-acquisition state throughout the study (all organization names are pseudonymized). Capital Partner obtained majority ownership (75%), whilst the previous sole owner Farmers Union kept a minority stake (25%) in William Enterprise after the acquisition. Moreover, the findings were analyzed using the framework of technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) to investigate the interplay of controls.

1.3 Contributions

Responding to this call for further research, this study contributes to the management control (MC) literature with an understanding of what practical implications an acquisition has on the PMS of the acquiree in a Swedish case, experiencing a shift in culture and vision as a result. Hence, this study explains the PMS implications from an organizational perspective. The study further contributes by discovering that although the change and cultural integration practices are conducted in accordance with the strategies used in previous studies with successful outcomes, they demand a long change horizon to be fully implemented. This supports the frequently mentioned statement that organizational change is highly contextual. Lastly, findings from this study demonstrate the occurrence of an internal shift in the direction of the influential relationship of controls, moving from socio-ideological controls affecting technocratic controls to the inverted relationship.

2. Theory

2.1 Domain Theory

2.1.1 Understanding PMS

Management control (MC) lays the foundation for PMS. While the concept of MC has varying definitions, Alvesson et al (2004, p.424) highlighted the majority including *"the exercise of power (influence) in order to secure sufficient resources, and mobilize and orchestrate individual and collective action towards (more or less) given ends (c.f. Langfield-Smith, 1997; Speklé, 2001)"*. Therefore, the purpose of MC is to ensure operational compliance with strategic goals through management practices. Management control systems (MCS) are tools used to apply the theory of MC in practice, and are defined by Hartmann et al. (2021, p.4) as "*comprising a combination of control practices designed and implemented by top managers to increase the probability that lower-level managers and employees will behave in ways consistent with the organization's mission, goals and strategies".* MCS include several components, where Organizational Architecture (OA) and PMS comprise two of them. These two overarching components are interlinked, where changes in one of the aspects often affect the other (Hartmann et al., 2021). While researchers used different wordings to describe the concept, we will refer to it as MCS and further PMS for the specialized practices. Aguinis's (2013, p.2) definition of PMS followed: *"Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization."* The purpose of PMS is extended from MCS, towards ensuring that the goals, activities, and outputs of employees are congruent with the strategic goals of the organization, to build and maintain its competitive advantage (Aguinis, 2013; Hartmann et al., 2021). According to Aguinis (2013), performance is further defined as employee actions i.e., their behavior rather than the outcomes of their work. However, since behaviors can be difficult to observe or measure, PMS include measuring outcomes directly linked to behaviors, in order to quantify and control them.

2.1.2 Critique against PMS

Argyris (1990) criticized the established view of control in organizations. He defined theories of control as comprising two aspects. One being the espoused theory of control, the use of objective concepts coordinated with numbers, similar to the PMS practice described above. Further, Argyris highlighted how the espoused visions of control in an organization seldom are achieved fully. He explained this as firstly stemming from the faulty assumption that a predetermined practice would successfully be able to consider the complexity and uniqueness of a future context. The second explanation was the conflict between those defending the claim of accounting as rigorous and objective, and those using the accounting practices but not believing in them, as they often fall short in practice. These conflicts lead to the psychological reaction of embarrassment and threat (the human theory of control, being the second aspect of theories of control suggested by Argyris), effects that counteract the objective and rigorous idea of controls; the dilemma of controls. Further, defenders of the accounting claim may develop defensive routines to protect their practice, such as implementing intentionally vague and imprecise rules to manage the espoused objectivity in uncertain situations. Consequently, it might have the counteracting effect of increasing ambiguity and defensiveness of those skeptical of the practice. To mitigate the dilemma of control, organizational and individual learning is required to introduce a more accepting view of controls. Such learning is beneficial in conjunction with a technical practice like managerial accounting or strategy, as it is normative rather than descriptive in its explanation of how to achieve intended outcomes. This approach discourages over-protection while facilitating decision-making and enables the use of accounting practices without resorting to defensive measures.

Aguinis et al., (2011) presented additional critique to PMS, partly building on Argyris's reasoning. The common confusion between PMS and performance appraisal is addressed, leading to wrongfully negative attitudes towards PMS. While performance appraisal often comprises non-continuous, annual evaluations of employees' strengths and weaknesses without feedback, PMS offer continuous identification, measuring and developing of employees' performance to align with the strategic vision. To counteract this misconception, managers should emphasize that PMS involves more than performance evaluation. Their purpose is to align organizational and individual goals to influence motivation, while additionally encouraging desired behavior and values.

With Argyris' argumentation in mind, we acknowledge the shortcomings of limiting accounting control practices to solely technical controls and underestimating the social and psychological aspects of control. This takeaway influenced and supported the decision to adopt a theoretical lens that accounted for these separate views on control, to fully understand their effects.

2.1.3 The role of MCS in Organizational Change

To discuss the acquisition effects on PMS, it is crucial to understand the implications of changes concentrated in MCS. Burns & Scapens (2000) explained transitions in the practice of MCS, defined as changes in organizational routines and rules. These practices serve as the intermediating link between the structured framework for behavior and actions in institutions, and the daily work, implying complex processes when subject to change. The authors highlighted that MCS change is in fact a process rather than an outcome and referred to the quote *"If we want things to stay as they are, things will have to change"* (di Lampeduza, 1958 [1996, p. 21]), suggesting that stability and change can occur simultaneously in a process, to maintain progress and control in the organization. This idea was revisited in the analysis, where the viability of this concept in this case of study was investigated, to explore what were their implications for MCS in an acquisition as a form of organizational change.

Applying the complexity of changes in MCS to organizational change, Burns (2000) acknowledged the importance of politics in relation to organizational change, and how it can play a large role in shaping the implementation of MCS change. In the process of altering the approach and execution of MCS in the department, effectively communicating the *how* and *why* of change was crucial in facilitating transformation. Further, Burns explained that depending on the congruence of anticipated practices with existing ones, they could be perceived as more or less evolutionary or revolutionary. Burns concluded by suggesting that future research could explore the dynamics of MCS change in more specific organizational settings, where this paper is a suitable response, as the case studied in this paper is highly characterized by political perspectives.

Ezzamel et al., (2008) discussed PMS's role in evaluating success in organizational change within an organization hesitant to change. The authors proved that PMS were able to facilitate the process of translating activities to results and to control outcomes, indicating the explanatory role that PMS hold in change situations. Further, a cause-and-effect link appeared between the organizational change focusing on PMS, and organizational goal achievement. A strong individual alignment emerged with the strategic vision along with a change-promoting culture, with PMS as a means to communicate the vision and unite the workforce.

The implementation of an updated PMS following an acquisition resulting in high achievement of strategic goals, is further demonstrated by Busco (2003). The acquisition provided a new framework for the acquiree to efficiently use and allocate its resources to improve performance, while still adhering to the roots of their operations. Moving from a state where measurement was the least prioritized feature, the culture shifted towards measurement being a central focus through extensive employee training. Echoing the findings from Burns (2000) and Ezzamel et al. (2008), Busco acknowledged how the strategies with which an acquisition is carried out could greatly affect and explain the following success (or failure) of the change. Busco's insights are useful in this study as it will further build upon the idea of how the change progresses from top management to the operating units. The paper by Busco et al., (2006) further elaborated on the role of PMS and trust in acquisitions to influence the acceptance and reliance on financial information. When studying a case where the acquisition poses a significant change in the acquired organization this knowledge is highly relevant, and trust for the acquiring company in addition to the newly set PMS plays a large role in how the change is perceived and adopted. The authors highlighted the importance of reducing uncertainty and increasing predictability to ensure successful transitions when facing organizational change. Further, how this could be achieved by the implementation of regulatory accounting principles and standards, as well as showcasing transparency and accuracy in accounting practices. Overall, the authors emphasize that trust is both a prerequisite and an outcome of effective performance measurement practices, enabling a well-executed acquisition.

Granlund (2003) elaborated on the potential challenges with MCS in mergers, with emphasis on cultural differences between the merging companies and how these situations require additional care. He stated that cultural integration in M&A contexts has a great probability of failing, demonstrated by goal ambiguity, cultural conflicts and unintended consequences as results of the study. Nevertheless, MCS are crucial in M&A situations due to their ability to uphold organizational routines through standardization, co-ordination and responsibility allocation, characteristics that hold great potential to mitigate these challenges. How MCS evolved following the merger along with how cultural integration was implemented largely shaped the way forward for the merged companies. Granlund concluded that the MCS challenges following M&A could greatly vary depending on the context, which supports the further investigation of this study.

On the same note, Busco et al., (2008) highlighted the tensions with merging global organizations, and the role of PMS in this context. During processes to integrate and co-operate the companies comprising the global organizations, the tensions of (i) centralization vs. decentralization; (ii) standardization vs. differentiation of practices; and (iii) vertical vs. lateral relations were found to disrupt the integration. PMS held an essential role in managing these tensions, through e.g., (i) providing a common language for controlling from a distance, (ii) translating operational activities in financial terms, encouraging local understanding of the targets, and (iii) facilitating communication through a common language, enabling planning, decision-making and knowledge sharing among the different companies. The learnings presented by Busco et al. (2008) about these tensions could explain the integration process in the case studied in this paper.

2.2 Method Theory

Delving into the literature of MCS, Robert N. Anthony played a vital role in introducing the concept (Anthony, 1965). Initially, the structural dimensions of controls were in focus, rather than the cultural aspects. The importance of cultural factors in MCS was later acknowledged (e.g., Dent, 1991; Flamholtz et al., 1985). Although many scholars expressed support for cultural controls, several researchers have offered their critical view on the subject (e.g., Kunda, 1992; Austrom & Morgan, 1987). Alvesson & Kärreman (2004) explained the binary viewpoint in the literature concerning structural versus cultural controls as driven by the necessity to have a distinct focus.

Unlike other studies focusing on either structural or cultural controls, they addressed both, labeled as technocratic and socio-ideological control. Alvesson & Kärreman (2004, p.425) (c.f Alvesson & Kärreman, 2001) defined them as: *"In the technocratic type, management works primarily with plans, arrangements and systems focusing behavior and/or measurable outputs. In the socio-*

ideological version, social relations, identity formation and ideology are basic ingredients". They emphasized that technocratic controls, designed to control behavior, could also influence corporate culture. Consequently, subtly shaping the socio-ideological aspects within the work setting. Their findings stressed a complex relationship between the two controls. However, their work lacks an emphasis on the inverted influential relationship, which we further elaborate on. Although, they pointed to the importance of considering the entire MCS when studying its influence on corporate culture, suggesting further investigation of their interplay.

Carlsson-Wall et al., (2019) built on the theoretical foundation by Alvesson & Kärreman (2004), further exploring the interplay by adding practical applications using real-life situations. Carlsson-Wall et al. (2019) proposed that exclusive use of either technocratic or socio-ideological controls should be avoided in complex organizations, e.g., in multinational organizations. They highlighted the balance of controls as crucial to gain e.g., the structure and clear objectives from the technocratic controls and the adaptability and flexibility from the socio-ideological controls. Kraus et al. (2017) further contributed with valuable perspectives to the framework by investigating the interplay of another real-life case. They discussed how ideological control, (comparable to socio-ideological), interrelates with formal MCS (comparable to technocratic controls). Aligning with the viewpoints of Alvesson & Kärreman, (2004) and Carlsson-Wall et al. (2019), they further emphasized the crucialness of balancing both types of controls.

The framework of technocratic and socio-ideological controls was considered particularly relevant for this study for the following reasons: Firstly, in addressing the critique of PMS as Argyris (1990) emphasized, it is crucial to consider both types of controls in order not to experience "the dilemma of controls". Secondly considering that this case was characterized by a strong culture, this aspect likely has a significant impact on the company. Thereby, this framework is appropriately aligned to explain the case, as it highlights the importance of considering the interplay of controls.

3. Methodology

3.1 Research Design

This study employs a qualitative research method by conducting a single case study, which according to Vaivio (2008) enables a detailed explanation of an inter-organizational phenomenon. Further, the study analyses the operational dynamics surrounding the phenomenon, by exploring the contrasting observations within the same case, contributing to the theoretical value of the study. As stated by the research question, this study aims to explore the post-acquisition effects on PMS, specifically in an organization with diverging views on change to investigate the implications. Accordingly, this reasoning supports the appropriate employment of a single case study to answer the research question. Although a multiple case study would yield broader empirical material, the added complexity of involving multiple entities surpasses the scope of a bachelor thesis.

3.1.1 Case Selection

The studied case was selected based on several criteria. Firstly, the case well-suited the study purpose due to the five-year span since the acquisition, allowing time for the PMS changes to be explored and established in addition to system development to accommodate their specific needs. Contrasting to studying a recently acquired organization, this allowed for a well-informed analysis of changes in PMS. Meanwhile, the acquisition was still sufficiently recent to provide a wide selection of interviewees with experience from both organizational eras. Further, the time proximity of this specific case allowed for an understanding of the relevant challenges given the current rapidly changing business environment. Secondly, our key contact at the acquiree, with company experience both pre- and post-acquisition, enabled further interest and valuable initial insights in this case. Furthermore, our contact was crucial in enabling access to obtain essential data. Lastly, considering the research gap regarding the Swedish context of this topic, the selected case was ideal. Accordingly, the geographical proximity of both affected companies' headquarters further facilitated appropriate and extensive data collection, through the possibility of in-person interviews. This enabled non-verbal information gathering during these interviews, essential to properly achieve the study purpose.

3.2 Data Collection

Interviews were used as the method of data collection for the study, as it is proven to be one of the most eminent and valuable sources of information for a qualitative study (Yin, 2003). It enabled the gathering of rich and relevant data from participants, thereby providing a deeper understanding of the subject which well aligns with the mission of the study.

3.2.1 Interviewee Selection

Aligning with usual private equity practices, we assumed that Capital Partner updated the performance requirements after the acquisition. Further, the “Finance & Controlling” unit at William Enterprise was tasked to implement these into the existing PMS, resulting in the operational units being guided by the newly established principles. Following the suggestion on purposive sampling in qualitative research, interviewee selection was based on the specific perspective they could offer and the aim for fair representation of the organization (Luborsky & Rubinstein, 1995). Accordingly, we sampled interviewees at each level involved in the PMS process described above, to obtain a comprehensive understanding of the different perspectives in the organization and ensuring research quality. Considering accounting consultancy being the main operation of the company, we delimited sampling of employees to those operating in this field. This allowed optimized comparability and representation, facilitating more credible and established conclusions. However, we acknowledge that this will not give a completely holistic view of the case, although this delimitation was necessary to collect appropriate data for our analysis. An even distribution of gender and age was further prioritized in the sampling. In addition, to gain thorough insights into the changes in and effects of the PMS before and after the acquisition, we prioritized interviewees with first-hand experience of the organization in both settings.

3.2.2 Initial Contact & Interview Context

Our contact at William Enterprise provided contact details to a few of our interviewees, while further contact information was gathered through the William Enterprise website and LinkedIn. We acknowledge the potential bias through the “snowball effect” in our contact’s recommendations and hence the information we access. To mitigate this concern, several measures proposed by

Biernacki & Waldorf, (1981) were taken to ensure a diverse sample of interviewees, such as including interviewees from various regions in addition to different levels in the organization.

36 potential interviewees were contacted through email, two at Capital Partner and the remaining at William Enterprise. 9 individuals (25%) declined to participate, with several referring to their limited time at the company resulting in their inability to provide sufficient insights. Nine (25%) individuals accepted, with which we scheduled a 45-minute to an hour-long individual interview, see Appendix 1. Due to geographical limitations, five (56%) of our interviews were held online via Microsoft Teams. Four (44%) were held in person, at the respective organizational headquarters located in Stockholm. Additionally, information from the organizations' websites was gathered to gain a complete view of the case. However, these are not referenced, allowing the organizations to remain anonymous in the study (references provided upon request).

Semi-structured interviews were conducted through using interview guides, where the questions were formulated based on the framework by Alvesson & Kärreman (2004), in addition to differentiating the questions between FU Services and William Enterprise. This way, the required information could be systematically gathered while simultaneously gaining insights into the interviewees' different perspectives. This method is commonly used in accounting for qualitative data collection when conducting case studies and is stated as the optimal method to collect comprehensive information about organizations (Lee & Humphrey, 2006). Moreover, to gain rich answers, we focused on being flexible in our questions and having an emic view to further ensure research quality. By adopting a relatively open-ended approach at our pilot interview, we aimed to find an understanding of the overall situation without prematurely narrowing our questions with excessive structuring (Bryman, 2012). Interviews were recorded when approved by interviewees and held in Swedish as this was the native language of all interviewees and the interviewers, facilitating conversation and free expression. Following the analysis of the obtained data from the semi-structured interviews, we considered re-designing our interview guide. However, it became apparent this was not necessary, as our predetermined interview guide was well-suited to our research purpose. Depending on the interviewee's level in the organization, we constructed several interview guides to suit their knowledge base and facilitate nuanced information gathering (see Appendix 2).

3.3 Data Analysis

To embark on the data analysis process, recordings were transcribed using the transcribing tool in Microsoft Word. Manual reviews were conducted on all transcriptions to increase the transcribed material's accuracy, through filling gaps made by the transcribing tool or other transcription errors. Furthermore, headings were added to all transcripts to simplify navigation and analysis. The majority of the headings were taken from the interview guide, allowing a consistent data categorization approach to facilitate compiling the findings. From the collected data, common themes were found where similarities and differences in the interviewees' responses were identified. Transcript sections used for citation were translated to English, and interviewees' as well as organization names and numbers were pseudonymized to maintain integrity in the study, and to acknowledge ethical research practices. Further, upon the interviewee's request, their respective referencing was sent to them for review and feedback prior to completion. Once the information was aggregated in the findings section, the theoretical layer of the method theory was applied to interpret and analyze the gathered data. It provided a structured approach to understand patterns, relationships, and meanings in the data. By basing our reasoning on our theoretical framework, the aim of bringing depth and context to our analysis was pursued, enabling meaningful and rigorous conclusions to be drawn from our empirical findings.

4. Empirical Findings

4.1 Introduction to William Enterprise

William Enterprise is a Swedish consultancy firm offering services within law, real estate, tax and specialized advisory, and accounting. The latter comprising approximately 70% of the operations. With around 1500 employees across 150 locations, they serve approximately 100,000 clients in various sectors. In 2018, Capital Partner acquired majority ownership of FU Services (now William Enterprise) which was previously fully owned by Farmers Union. Capital Partner is a private equity firm with about 100 investments and a long-term investor horizon, while Farmers Union is a non-partisan, member-led interest and business organization for farmers and foresters in Sweden.

William Enterprise stands out among its competitors, with its over 100 years of rich history. In the announcement regarding the name change from FU Services to William Enterprise, the significance of this heritage and founder was emphasized on their website: *"When FU Services changed its name to William Enterprise in 2020, it was with great respect for our heritage and history"*. The interviewees had a common understanding of the company with Farmers Union as the only owner: It was seen more as a member organization rather than driven by a commercial objective.

With offices all over Sweden, William Enterprise prioritize local presence, close to the customers in smaller communities. Originating from Farmers Union, they naturally have been, and continue to be, associated with family-owned companies within farming, forestry or actors in the agricultural industry. However, in recent years, they have been exploring strategies to reach customers beyond the agricultural domain. They aim with this transformation to become an even more multifaceted player, by attracting a wider customer base.

4.2 Discrepancy in Perspectives on Change

From the interviews, we identified two differing perspectives within the company. One group was positive about the change towards a more business-oriented organization, while the other group was fond of the existing culture and business practices in handling customers. Interviewees belonging to both groups acknowledged the call for a change in some manner, but there were differing views on the extent to which these changes should be enacted. Their perspectives are demonstrated below, further adding complexity to this change.

4.2.1 Reasons for Change: From an Investor & Executive Management Perspective

Karl expressed the many possibilities for William Enterprise as an investment. To begin with, William Enterprise held a leading market position with a distinct customer base and unique positioning, while he noted "*the accounting market is facing an exciting transformation*", mainly due to digitalization. The industry was to a larger extent providing digital solutions to their customers, leaving unresponsive actors in an outdated position. Further, he emphasized the accounting market's ongoing consolidation following the digital transformation, highlighting the importance of scaling. Large companies could benefit from economies of scale in developing IT solutions and broadening their customer base. Meanwhile, actors who did not participate in the digital transformation experienced negative scaling benefits.

The above reasoning partially explained why FU Services had not yet invested to align its digital processes with the market. Previously, emphasis was put on providing quality services to customers, facilitating their business by letting them devote their time to their craft while outsourcing the economical tasks to FU Services. This mindset fostered fantastic loyalty and care towards customers and a great sense for employees to do good in their community by helping local small companies and agriculturalists. However, maximizing revenue and profit was less of a concern for employees. This less commercial mindset of FU Services coupled with the lower digitalization of the company further hindered the development, as explained by Karl:

> *"Historically, [FU Services] used more manual processes with negative scaling benefits, which required more administrative costs to manage and develop the workforce, making it less profitable the larger it gets. (...) FU Services had substantially lower margins than all other actors [on the market], as this was not their primary focus."*

Thereby, a further reason for the acquisition was the untapped potential of FU Services, as they had not focused on growth. Although FU Services continuously met the profitability and revenue targets with few deviations, there was less focus on growth and scaling the business. Ted further underscored the viewpoint on low financial expectations:

> *"There was a profit requirement from the Farmers Union which I believe was unchanged for many years. The target, measured on a pre-tax profit basis, would be somewhere between 5% and 7% of revenue.* (…) *It's a dangerous strategy to generally accept the fact*

that you grow at a lower rate and are less profitable than peers in the same industry. It's a slow way to become irrelevant until you are either out of business or bought by a competitor. We don't have unreachable goals, in the current phase we are closing the gap to meet industry standards."

Consequently, FU Services was already lagging in the digital transformation, struggling to follow the market and competitor development. The importance of benchmarking company performance to the market was further emphasized by Frank:

"What growth is the rest of the market experiencing in terms of profitability, what margins do competitors have? We [now] employ a more long-term perspective when reviewing this company's performance in comparison to the market, [in order to be] equipped to follow in this transition and survive over time."

Frank further explained how the former owner recognized the requirement for accelerated change. Hence the decision to onboard a new partner to help drive the change in FU Services. Karl added:

"[In a meeting] with all local chairmen of the Farmers Union, I understood that the customers really wanted better and more digital services. (...) Not all customers wanted more digital services. But it is not acceptable to not be able to submit documents digitally. (...) Future farmers want to be able to manage their invoices on their phone while riding their tractor."

According to Karl, this decision promoted the longevity and sustainability of the company as it enabled sustained service quality, valued by employees and customers, thereby adhering to the company's original purpose. Opportunities for business investments emerged through stronger profitability along with scaling benefits, enabling development in standardizing tools, digitalization and restructuring for efficiency. Had FU Services continued to operate its business in the same manner, without such an intervention, there was a great possibility that it would continuously perform less than the market average. *"In 5 or 10 years, this could lead to that the company was worth much less"* noted Karl, as William Enterprise would be outrun by competitors.

4.2.2 From an Accounting Consultant Perspective

As stated by Stefan: *"We are in a heavy [cultural] change process."* He continued:

> *"[FU Services] had a work environment and work practices that were strongly formed by the employees at the office, on the market we operated in and the customers we served, which could differ quite a lot [both within and between offices]. It wasn't uniform, and there were big drawbacks with that."*

Employees in William Enterprise shared the understanding of executive management and the investor, that the company needed assistance to be able to sustainably deliver to customers and increase profitability. All accounting consultants interviewed acknowledged the dominantly manual practices, the possibilities with digitalizing processes, and the difficulties with managing a company in this manner, as highlighted by Carina: *"Compared to my previous employer, working at FU Services felt like going back five years in the digitalization."* Although, the benefits of autonomous offices were outlined shortly after, as mentioned by Stefan:

> *"There was freedom, we felt participation in our own transition. On an office-basis we could decide what market and customers to target based on the local competencies at the office. We could deliver a valuable product to these customers."*

Further, the standardization of processes, initiated to facilitate a broader overview of organizational performance while ensuring service quality, also came with drawbacks as Stefan continued:

> *"Now it feels more like our management prioritizes making all offices look the same and that all employees should act the same. They have tight control over standardizing practices, it reminds me of IKEA warehouses or McDonald's restaurants. (...) We are*

> *supposed to deliver the same product to all customers, regardless of their location in Sweden [greatly impacting their needs].”*

Consequently, the change has been a subject of frustration, according to Stefan, further affirming the agreement from several colleagues. He stated that a standardized product is not suitable for this business as every customer’s needs are unique, a perspective mirrored by Carina. Sara added the importance of a balanced approach, to accommodate the needs of the local customers. Stefan further added how it is a complex task to manage a company in this industry with these prerequisites. Lastly, Stefan mentioned that organizational change in itself is not the problem, but rather the lack of development in performance and processes to make the change worthwhile. This affects employee motivation and attitudes towards change, and the challenge could be derived from the decision-makers not having sufficient industry experience.

4.2.3 Meeting in the Middle: Vision Shift

Capital Partner along with the executive management of William Enterprise were aware that the change towards a more commercial strategy implied a major change to the mindset and the working practices. They acknowledged the potential hesitation to the shift following that FU Services was part of Farmers Union, with its deeply rooted history and culture from over 100 years of operating. Frank further highlighted the importance of the type of owner:

> *“It’s been a significant change in the type of owner. (...) We have gone from a highly ideological owner entailing an integration of certain values [in FU Services] stemming from Farmers Union to a private equity owner who has a business view forward. [The changes could vary greatly depending on] what private equity firm enters.”*

Significant efforts were dedicated to the communication of the name choice in addition to the development of the new branding to increase acceptance. Harry noted: *“You can maintain the heritage in a way that appeals to older individuals while ensuring it remains new, fresh, and neutral for new clients who aren't from the ‘green industry’.”* Frank added insights into the branding strategy, which was carefully constructed to optimize acceptance in the organization. The process included reviewing the company's values using reference groups. Although tremendous work has already been allocated, progress is yet to be made, he underlines.

> *"You don't get a big change just because you make a PowerPoint slide and then say these are our new values. It's only when you start working with them in practice and they reoccur [during meetings that we can evaluate the change success]".*

To opt for a more commercial business strategy in a company that was heavily featured by the underlying mission of their owner, and the employees' drive to contribute to their community and customers required a lot of communication. Karl presented his view:

> *"No, it's not the most beneficial for your forestry customers that you are not profitable because then we [William Enterprise] won't be able to invest in our business and develop better services for them. A company needs a certain level of profitability, and growth I think, to be able to continue to develop and invest. Otherwise [the quality of] your service will deteriorate until you become irrelevant [for the customer]."*

Accounting consultants have expressed their understanding and concern for executive management regarding the complexity of navigating this change. Further, Sara noted that the investor has showcased patience and understanding regarding the change process.

4.3 Acquisition Effects on PMS

4.3.1 Reorganization: Functional Separation

During 2022 and 2023, William Enterprise underwent a major structural change by transitioning from an office-based business unit structuring to functional structuring through the formation of business areas. The specialized offerings were separated from the main business area of accounting consultancy, due to comprising widely different businesses (see Appendix 3). Moreover, employees belonging to the separated business areas continued to operate from the same offices as previously to maintain the local presence. The reporting structure was adapted towards assigning each business area its own managers and teams, facilitating more appropriate management and measurement. Thereby, a team of approximately 10 employees within the same function comprise a business unit, while multiple business units from different functions constitute a market area (see Appendix 3). Ted explained:

> *“Accounting is by far our largest business area. There are 20 market areas [based on geography], which consist of a few business units each. [The business units] are our smallest operating teams, while [the market areas] are our smallest profit centers where the market area manager is responsible for an entire income statement. (...) Business units don't have to be limited to the four walls of an office, they could include employees from several physical offices. (...) Previously, with offices in focus, some offices could have 35 employees and one manager while another office could have three employees and one manager. (...) [Now] market areas are of approximately the same size, and the market area manager role is similar no matter what market area you are responsible for.“*

Offices became a workplace rather than an organizational unit. This called for a restructured management system, replacing office managers with an extended network of managers. The previous model posed challenges for office managers, as holding responsibility over employees outside of their expertise hindered effective management and support. With the restructured management model, functional managers oversaw their respective employees at different offices, ensuring knowledge alignment between employees and managers. This approach aligned with William Enterprise’s emphasis on local presence, accommodating the maintained activity in rural areas. The reorganization successfully addressed the challenge of office manager dependency in both smaller and bigger offices. However, the transition required digital solutions and knowledge, the development of which was forced by Covid-19, as mentioned by Karl:

"It would probably have been very difficult to do what we did [the reorganization] before Covid-19, before you learned [Microsoft] Teams. In some way, the new structure is based on you being able to be the manager of employees in several different offices."

4.3.2 Role Clarity

Further, the roles of the accounting consultants were restructured to increase the clarity in role expectations. Previously, all accounting consultants had the same role descriptions and responsibilities. Considering the different levels of seniority among employees, this contributed to resources not being optimally utilized. Thereby, the roles shifted from a universal accounting consultant role to three different tiers of accounting consultants: junior accounting consultant, accounting consultant, and senior accounting consultant. The middle tier of accounting consultants remained with the same responsibility of doing bookkeeping and more manual tasks while also having customer responsibility. The junior consultants were however given the responsibility of assisting the senior consultants with bookkeeping for their customers and did not initially have their own customer responsibility. The responsibility of senior consultants was shifted more towards tasks that required their experience and tacit knowledge, such as marketing, recruiting new customers and contributing to the development and training of more junior colleagues.

The role clarity enabled division of tasks suitable to the employee's competence level, allowing better resource utilization. As senior consultants were now assisted in the manual tasks, they were able to recruit additional customers, leading to scaling benefits as well as improved revenue and profitability. On a broader level, the new model facilitated leadership development, while taking advantage of shared leadership by reducing dependence on a single office manager. Following the reorganized market areas and business units, the manager's role in these units became clearer.

Stefan noted the presence of accounting consultant role definitions before the acquisition. However, the distinctions became clearer following the explicit formulation of expectations, adjusted measures and salaries for each role. Although increased efficiency was the motive for the new system, it had an ambiguous impact in practice as noted by Kristin. The new structure meant that junior consultants did not get any direct customer contact, leading to difficult integration and job dissatisfaction among many. Kristin shared: *"I think the structure is a bit ridiculous"*, underlining her doubts. She highlighted the gap between the new structure and the actual implementation: *“[Although not included in their job description] we let junior advisors have customer responsibility but not the biggest customers of course. Although, it has never been that way before either.”*

4.3.4 PMS Effects Following Changes in MCS

4.3.4.1 At FU Services

Following the office-based structure at FU Services, governance and PMS were mainly based on the office and office manager, as highlighted by Harry: *“It was very decentralized, and the mandate was out in the operations more than it is today.”* The previous organizational structuring meant that the combination of professions belonging to the same office were measured by the same KPIs. However, the one-size-fits-all approach to PMS was not an appropriate measurement method. The annual budget targets were properly met almost every year, without much deviation. However, budgets were built on a bottom-up basis, giving office managers significant autonomy in the budgeting process. Accordingly, office managers had considerable freedom to measure and collect appropriate data according to their interests, while ensuring compliance with annual budget targets. However, varying interests and opinions among office managers generated inconsistency in measures, as supported by interviewee responses, and made it difficult to get an overarching view of organizational performance. Despite the measurement autonomy, debit rate, defined as the chargeable proportion of your working time, was the most prominent according to both accounting consultants and executive management. It served as a universal efficiency metric, as all accounting consultants were measured equally regardless of their seniority and was evaluated annually or semi-annually with the closest manager, according to Ida. Albeit a well-structured PMS, its primary purpose was informing about performance rather than providing feedback for improvement.

Given the seasonal nature of the accounting consultancy business, demand and workload increased in the spring due to the declaration and final accounts season and decreased during the fall. To counteract these differences in workload, there was a differentiation between external and internal debit rates. The external entailed direct work to customers, and the internal included tasks not directly contributing to revenue such as participation in change or development projects. This differentiation motivated employees to contribute to company development as it would recognize work not directly impacting revenue, by broadening the view of performance that would benefit the company not only financially.

4.3.4.2 At William Enterprise

Following the acquisition, *"the underlying structure and the measure topics were relatively unchanged"* Frank affirmed. Given William Enterprise being a large company, it already had an established PMS structure. However, targets were now constantly increased and adjustments in the measure structure were implemented to complement the transitions in the organization structure. Accordingly, following the role clarity in accounting consultancy, measures were adapted according to the different tiers. The middle tier of accounting consultants experienced the least change, with measurements similar to the previous routines. Junior consultants are mainly measured on debit rate and invoice rate, meaning the actual hours spent on a task put in relation to the worth for the customer, Ted explained. These measures focused on efficiency in work performance, benefiting the learning of this role. The senior consultants are mainly measured on project revenue, as they take on more complex tasks like marketing, managing customer relationships and specialized consultancy. As their hours cannot always be directly linked to customer billing, the measuring of the debit rate on this employee group was no longer sensible. Further, senior consultants are measured on cross-selling rate, where they are incentivized to initiate additional sales for a customer by recommending and selling other offered services. The major change is that accounting consultants, apart from junior consultants, are no longer measured on their own customer base, but on how well they can delegate work to expand the business. Measures are more specialized to accommodate the different expertise and experience levels and to facilitate learning, collaboration, resource efficiency and profitability. This shift in controls has an impact on mindset compared to previous practice when non-collaboration was rewarded.

Capital Partner initiated the removal of the internal debit rate, as it sent a false message of satisfactory debit rates and revenue, even though it was only transferred between units and was not contributing to actual revenue. To prioritize company survival, they emphasized tracking activities that generated actual revenue from customers, as that is what ultimately gives results. Helping co-workers and company development was still encouraged but should not be prioritized over billable time to external customers. Moreover, according to Harry, the KPIs are now more easily accessible to the employees:

> *"Every week, managers receive key figure cards sent to them [by email]. These cards show how their employees have performed compared to the same week last year, as well as in relation to the current monthly budget. In addition, a monthly follow-up of the most important measurement values is carried out."*

Meanwhile, Ida noted that the updated way of sharing target achievement leaves less face-to-face manager interaction and feedback accompanying the result announcements. However, the improvement in digital tools has been the most significant and helpful change following the new ownership model, according to her. Nevertheless, she added that it demanded a lot of effort to internalize, negatively affecting the customer-related work.

4.4 The Development Model & Culture

4.4.1 The Development Model

To further develop the PMS post-acquisition, *the development model* (see Appendix 4) was established. As one of the greatest changes according to Frank, it was designed to not only measure and control financial performance but also promote behavior aligned with the aspired new culture. *"[It's noticeable that] they try to catch the soft values as well, not only [focusing on] the hard values like before."* as noted by Ida. The employee is evaluated based on the performance and behavior axis, where the 16 fields represent four levels of expectation achievement. These determine the consequences going forward based on the assessed level. Thus, both the financial aspects, such as gross profit and debt ratio are evaluated, in addition to behavioral aspects, e.g., standing up for decisions made, cooperating with colleagues, or embracing digitalization. Harry underlined: "*This model will not cause our results from one year to another to explode*". Instead, he emphasized its effects on the culture when settled. Ted further explained:

> *"[The development model] quantifies what is not quantifiable. Desired culture and behavior are defined through the explicit values of (i) Collaboration, (ii) Business sense and (iii) Development, further explained in concrete actions. (...) To score high you need to deliver on both performance and behavior."*

Stefan explained his contradicting view on the updated PMS:

> *"I have a clear feeling that what is done right now is to try to link performance to KPIs and reports [through hard measures], rather than competence and experience. (...) This could create an environment where everyone focuses on their own performance and where teamwork suffers. On one hand, you are measured on your performance, and on the other hand teamwork and collaboration are encouraged."*

The interviewees agreed that there were no previously established organization-wide bonus systems. Karl explained the non-bonus culture by noting *"You must think about the culture at the time. Being a member organization, [having a bonus system] would stand out. It's the wrong environment for that kind of bonus culture. I think they had the perfect structure considering their owner".* The autonomous approach to the PMS structure resurfaced in the diverging reward practices across offices. Meanwhile, Ida noted the incentive program used at her office and its implications on her work: *"It's not incentive programs that motivate me to do a good job. [What motivates me] is to have fun at work and deliver [good services] to customers."* Ted explained the changed bonus system after the acquisition, with support from Harry:

> *"It's not unusual when a private equity actor enters a company, to start thinking about how to improve achievements through rewards. Three years ago we introduced an incentive*

program that included everyone. It serves as a trigger to commercial mindset, and for the colleagues in a [market area] unit to gather around and strive for together. [This incentive program] is on a market area basis as these are the smallest profit centers. (...) Previous budgets on an office basis led to [suboptimization in resource allocation] as offices sometimes protected their own profits. In our new organizational structure we wanted to avoid setting up too small profit centers."

Furthermore, Stefan acknowledged the ambiguous incentive system following the updated PMS, with team effort encouragement through the bonus system, while salaries are determined based on individual performance. Thus, it is a balance between carefully introducing this business mindset in the company *"without twisting the culture (...) we want to preserve it because it's a fantastic culture we have"* as stated by Karl, signaling how they strive to keep the current intrinsic motivation among employees going forward. Ted filled in: *These are honorable values that we would like to keep, but we would like to add the proudness of delivering something valuable, and that we charge for the value created."* The development model supports this idea, as rewards, salary adjustments or possibly lay-off are also allocated based on the level of the combined performance and behavior. While the differing means to incentivize both social and financial performance are meant to complement each other, there seems to be a skewed prioritization towards salary as it is of greater monetary significance to the employee than annual bonuses.

4.4.4 Culture

Sven narrated the situation: *"It's a huge cultural transition, which stems from our origin in Farmers Union, (...) and heritage of being the service agency for farmers in the country."* At FU Services, the culture was distinct, although, with large variations across different offices and heavily influenced by Farmers Union's beliefs. Karl described the culture pre-acquisition: *"The culture at FU Services was very strong, but it was also very local and very [much based on] Farmers Union. It was not really the culture of FU Services"*, partly because they shared offices with the Farmers Union employees, in addition to sharing name and logo. Elaborating on these insights, Karl noted Farmers Union-themed artifacts, like pennants, at several offices at the time of the acquisition. Nevertheless, it is also prominent today, evident by the spotted Farmers Union

Jubilee book in the reception area of William Enterprise headquarters. Ted, Karl and Harry all accentuated how the culture was, and still is, shaped by close personal relationships with customers, exemplified by Karl: *"You take care of your neighbors' money, you advise them on how to run their agricultural business or family company, it's a beautiful job".* Kristin, supported by Sara, observed a cultural shift after the acquisition towards prioritizing larger customers and profitability. This has led to a cultural clash, as the focus has been on the larger companies, challenging the traditional values. Furthermore, Harry highlighted that this cultural clash has resulted in instances where employees, mindful of interactions with customers in everyday settings, have lowered the price to the customer by adjusting invoices.

Post-acquisition, efforts to merge the diverse office cultures began. Ted noted: *"Even though [Capital Partner] understood that they faced a big cultural transition, I think they underestimated it."* This involved distancing from the "Farmers Union culture" through the implementation of the development model to create a "William Enterprise culture". Although the cultural transition is advancing, the dispersed office structure added complexity to the controllability of the change process. Throughout this transition, Karl explained how William Enterprise *"encountered a few employees and offices that left the organization to establish their own competing companies"*, due to the cultural clash. Stefan filled in: *"There was a huge competence loss [following the acquisition], and re-recruiting competent and experienced personnel is likely the largest challenge at the moment."* The loss of personnel entailed great difficulties for the remaining employees at the affected offices due to increased workload. Ida shared: *"You get stressed when the numbers are falling short and time for customer work is falling short. Even though you are doing your best, stressing and pushing yourself during over-time hours, a customer leaves the company for [a competitor]."*

4.5 External Factors

Several interviewees highlighted the ambiguity of whether the changes initiated after the acquisition could be directly linked to Capital Partner, as stressed by Carina: "*I believe that some of the changes are linked to Capital Partner, but [the changes] are more about the spirit of the* *times, reflecting how rapidly society evolves. (...) You have to keep up [with the change].”* The external factors mentioned by the interviewees were: digitalization, Covid-19 and personnel. The latter, expressed by Frank: *“It’s not necessarily an effect of Capital Partner entering. It’s an effect of working with more professional management and being open to the emerging trends in these areas. We recruit new people who contribute with new perspectives.”* Elaborating on this point, Carina stated: *“The fact that Farmers Union as a member organization chose to sell most of it, may be aimed to raise capital to be able to invest in the digitization process.”*

5. Analysis & Discussion

The framework of technocratic and socio-ideological controls (Alvesson & Kärreman, 2004) was applied to analyze the case, with the aim of answering the research question.

5.1 Analysis of Farmers Union Services

5.1.1 Socio-Ideological Controls

Considering the definition of controls as what influences behavior and performance (Aguinis, 2013), socio-ideological controls were dominant in FU Services. Values, beliefs and attitudes were based on the longstanding culture, with the underlying values of providing quality services to its members in the agricultural domain. The culture was further enhanced by e.g., FU Services sharing offices with Farmers Union, facilitating the overlapping of cultural norms and practices. This largely defined the behavior and identity of employees, shaping how work was performed, by for instance, putting a larger focus on customer value than profitability.

5.1.2 Technocratic Controls

Technocratic controls were considered satisfactory, demonstrated by the limited development of controls on an organizational and individual level. These comprised both financial and to an extent behavioral performance, according to interviewees. However, financial controls seemed the most prominent. While the adherence to structured plans and measures was clearly defined in the annual and office budgets, there was great autonomy in the method and systems used to reach the targets.

As a result, inconsistent PMS practices were employed throughout the company, including the varying use of behavioral controls. Consequently, the diverse systems hindered the possibilities of gaining an overview of the performance, in addition to scaling and developing the systems. As socio-ideological controls sufficiently motivated employees to perform well, technocratic controls were less highlighted. Furthermore, the purpose of the measures was not to maximize profitability, also resulting in a low pressure to develop the technocratic controls.

5.2 Analysis of William Enterprise

5.2.1 Technocratic Controls

The entrance of Capital Partner entailed significant effects on the technocratic aspect of PMS in William Enterprise. Several major changes were implemented in the OA part of MCS, with functional separation, the reorganization to market areas and role clarity as demonstrative examples. These changes in PMS emerged as an effect of these changes in MCS, highlighting their importance. Accordingly, in the aftermath of the acquisition, technocratic controls have increased in significance due to them being maintained, developed and complemented.

Maintained, by preserving the structure and main controls. *Developed*, as the subjects under evaluation were not altered, but rather improved by adapting and digitalizing the measurement methods. This was done through standardization and streamlining of working practices to be more uniform across offices by e.g., increasing the accessibility of KPIs and adjusting the measures to fit the intended profession in addition to the extended role definitions. Controllability and manageability were thereby improved, further ensuring consistent quality and pricing of the service across the company. The newly implemented controls were angled towards encouraging more commercial behavior, thereby impacting socio-ideological aspects through e.g., encouraging recruitment of new customers and delegating work to be more efficient and profitable. This approach could foster an elevated acceptance, as employees may experience greater accomplishment and motivation from the new, adapted controls. Further, their new structure has benefited the internal communication of performance management within the company by creating a common "language" of measures within professions. *Complemented*, by ensuring organization-wide socio-ideological controls through their newly established development model.

5.2.2 Socio-Ideological Controls

As a result of William Enterprise's new multifaceted strategy beyond the agricultural domain, it has generated a more inclusive culture towards customers and employees. By widening their customer base and updating their company profile, they attracted employees with more diverse professional backgrounds. Despite efforts to foster commercial thinking, the culture, shaped by the close personal relationships with customers, seems to remain intact. Customer loyalty was illustrated by the consultants manipulating the numbers.

Due to the deeply rooted culture revealed in the organization, the technocratic controls proposed and implemented on the initiative of Capital Partner have encountered hesitation from employees. As an attempt to encourage the aspired culture, the development model was introduced with the formulation of desirable and undesirable behaviors. It is a practical example of employing technocratic controls to manage socio-ideological aspects. By playing on the notion of enhancing behavior, values and culture as socio-ideological controls, it applied a quantitative aspect to these seemingly unquantifiable elements. Thereby, the development model is a technocratic tool according to the definition of PMS, (Aguinis, 2013), however displayed as a socio-ideological intervention. Social aspects were integrated to complement the existing technocratic PMS, as opposed to the dominantly technocratic and financial aspects presented previously. Compliance with the development model and newly established performance targets determined salaries, while collective achievement of budget targets generated market area bonuses. After the acquisition, many employees left the organization due to cultural clashes. While this entailed large competence loss, it meant that employees who did not share the emerging values naturally left the organization, thereby reinforcing the aspired culture by emphasizing desired behaviors.

Nevertheless, executive management's and accounting consultants' views on the effects of the PMS changes were not aligned. While the former were convinced that the new PMS including the development model strongly encouraged collaboration and behavioral as well as financial performance, the latter were not experiencing the same effects in the cultural aspect of performance. An explanation could be the recent implementation of the development model, leaving insufficient time to let the true effects be enacted in the operations. Another reason could be the mentioned dispersed office structure where cultural changes are delayed, or that the purpose and benefits regarding the model have been ineffectively communicated.

5.3 The Interplay: Answering the Research Question

Alvesson & Kärreman (2004), Carlsson-Wall et al., (2019) and Kraus et al., (2017) all suggested a combination of technocratic and socio-ideological aspects of control, the importance further emphasized in the case of this study. To answer the research question, the acquisition has affected the PMS in the following way:

Before the acquisition, although the PMS generally was formulated in a technocratic manner (see (1) in Figure 1 on p.34), the socio-ideological controls despite their subtle character were clearly communicated both by management and employees during interviews signaling their prominence. For instance, the clear yet informal communication regarding their values, the Farmers Union anniversary book and the Farmers Union logos still present in the William Enterprise's offices. The socio-ideological controls were thus the main driver of employee behavior to reach performance (2), and consequently influenced the technocratic controls (3). To clarify, the culture-based values of qualitative product delivery to customers gained prominence over growth and profitability. At this stage, the influential relationship is comparable to the direction suggested by Kraus et al., (2017) (see (a) in Appendix 5). Accordingly, there was consensus in technocratic and socio-ideological aspects as they controlled behavior towards the same goal of delivering value to customers.

After analyzing the findings, the implemented changes from the acquisition could be identified as primarily regarding technocratic controls. However, they were intended to formally integrate the new socio-ideological controls of a more commercially oriented mindset in the existing culture and PMS. Implementing the development model, reorganization and role clarity entailed adjusting the use of technocratic control to manage socio-ideological aspects, thereby entailing a maintained focus on technocratic controls in the PMS (4). However, the determinant of behavior was intended to shift from socio-ideological to technocratic controls, by making socio-ideological behavior quantifiable. Thus, it can be concluded that the change initiators utilized the strength of the existing socio-ideological controls, by not diminishing their significance, but instead adjusted and reformulated them in a technocratic shape (5). Despite the efforts to direct the organizational values towards business-mindedness, the aspired culture seems not yet to be employed in practice, proven by the discrepancy in perspectives regarding the change (see section 4.2). Thereby, there is ambiguity in the goal congruence between the current technocratic and socio-ideological controls. It is crucial to underline that we have not yet seen the end result of the implemented changes, as they are still in the integration process. Once the practices have been properly integrated into the organization, a plausible outcome would be individual alignment with the updated technocratic controls. Moreover, as the PMS now includes desired behaviors, they may be internalized into the employees' own values, priorities and actions, thereby shaping the organizational culture. The organization is thus experiencing a shift in the direction of the influential relationship of controls, now following the philosophy of Alvesson & Kärreman, (2004), given that the intended outcomes are achieved (see Appendix 6).

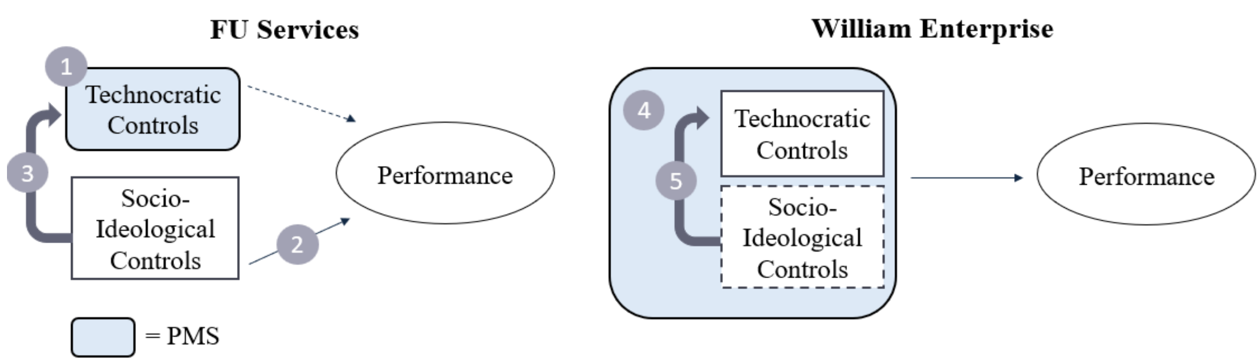

Figure 1*: The effects on PMS from the acquisition*

By reviewing the ongoing outplay of the organizational transition post-acquisition, the conclusion can be drawn that the technocratic aspect of the company's PMS was ready for change. This explains the successful outcomes in financial performance following the transition, with increased growth and profit. Meanwhile, the socio-ideological controls were proven unready for change, mainly due to the deeply rooted culture which tends to be protractive to change. Consequently, technocratic controls were shifted towards encouraging and controlling commercial thinking, thus diverging from the previous main goal. Socio-ideological controls were however more complex to impact, as proven by the findings.

5.4 Discussion in Relation to Domain Theory

This thesis seeks to determine how PMS in an organization characterized by a strong culture is affected by an acquisition. Utilizing the technocratic and socio-ideological controls framework (Alvesson & Kärreman, 2004), the phenomenon has been analyzed. This paper not only align with, but also expand upon existing research within the field of PMS, as demonstrated below.

This paper's findings connected to Burns & Scapens, (2000), "*If we want things to stay as they are, things will have to change"*, as the core purpose of the acquisition was to sustain the ability to provide valuable and quality services to customers. Change was thereby required considering the digital transformation in the industry, while the aspirations for both management and employees aligned with the idea highlighted by Burns & Scapens, (2000) - that stability and change can occur simultaneously. Consequently, this study provided support for Burns & Scapens's, (2000) concept of necessary change to remain competitive, while further supporting the acknowledgment by Burns, (2000), that politics largely shape the implementation of MCS changes. When responding to his call for further studies on this challenge in different settings, this study additionally demonstrated how challenging the original values of an organization (customer care and contribution to the local community) through changed PMS following an acquisition, generated hesitation towards change among employees. While this paper stressed the importance of communicating the *how* and *why* of change as suggested by Burns, (2000), it further illustrated that acceptance greatly depends on the context. It exemplifies when changes are considered revolutionary rather than evolutionary by the operational employees, further explaining the hesitant attitude towards change.

Building on change in an organization hesitant to change as previously discussed by Ezzamel et al., (2008), this study further supported the idea of PMS holding a critical role in facilitating change, demonstrated by the implementation of e.g., the development model. The mechanisms of PMS, explained as means to translate and communicate the organizational objectives to the operations and its activities by Ezzamel et al., (2008) were the desired results by the investor and management in the case studied. However, the intended effect of alignment was not fully achieved as employee hesitance towards change remained. Thereby, this study supports the idea of a causal relationship between changes in PMS and the achievement of organizational goals, as the financial performance and thus investment opportunities improved following the change. However, this study challenged and complemented the knowledge of Ezzamel et al. (2008), by demonstrating that despite the supported alignment mentioned, it could occur without necessarily entailing enhanced individual alignment with the new strategic goals. Added insights thereby include that the role of PMS in organizational change further depends on the context in which they are applied.

The parallels between the case in this paper and Busco, (2003) study regarding technocratic controls being less prioritized initially, suggested similar outcomes when subject to change in control characteristics. Nevertheless, unlike Busco, our study did not find the same wide acceptance following the implementation of updated PMS, further explaining how the outcome of change could vary despite cases demonstrating similar characteristics. Thereby, this study substantiated the findings from Burns, (2000); Busco, (2003); Ezzamel et al., (2008), regarding the importance of implementation strategies to ensure successful change. However, as the final results of the change are yet to be discovered, the success rate of the initiated changes cannot be determined.

This study elaborated on the paper by Busco et al., (2006), who highlighted the significance of trust in the acquired organization for influencing the acceptance of change. It can be observed through this study that despite considering Busco et al.'s (2006), suggested efforts for management to reduce uncertainty and increase predictability (through the implementation of reorganization, role clarity and the development model), the desired effects on trust have not yet been realized, as demonstrated by the skepticism among employees towards the change and the new strategy. Only after full integration of the changes in the organization can the intended effects be assessed.

The challenges of integrating companies through M&A as suggested by Busco et al., (2008) and Granlund, (2003), and the complexity of cultural integration in an acquisition (Granlund, 2003) were confirmed in this paper. Similar tensions to those detected by the authors were recognized in this case, and the investor and executive management employed the use of PMS as proposed by Busco et al., (2008) to mitigate these tensions. Through the implementation of the development model in addition to the reorganization and role clarity, they provided a common language for controlling from a distance and means for translating operational activities in financial terms, to promote centralization and standardization. Despite appropriate implementation of tension management practices suggested (Aguinis et al., 2011; Burns, 2000; Busco et al., 2008), involving the use of PMS as a vehicle for explicit communication of organizational goals, the intended outcome is yet to be realized.

This study aims to build upon the findings by Kraus et al. (2017) who we perceive found a shift in the influential relationship of controls (see Appendix 5). In their study, the ideological controls impacted the formal MCS as the operations were highly characterized by religious values and offering healthcare to all, no matter the level of illness. Moreover, they demonstrated the use of "ideological talk" by managers as a tool for control. The case also showed the inverse relationship as the formal MCS shifted to influence the ideological controls. To clarify, the imposed reporting structure following funding restrictions impacted how employees viewed their work by restricting healthcare capacity. However, while our study confirms a similar shift in influential relationships, we further prove this relationship to be explained through the framework of technocratic and socio-ideological controls (Alvesson & Kärreman, 2004). Moreover, the character of the socio-ideological/ideological control is widely different in our case compared to the religious influences in Kraus et al's (2017) study, while they further originated from an acquisition as opposed to Kraus et al. (2017). The further explanatory value of our study lies in the character of the pressure to shift. Kraus et al's (2017) case experienced a shift due to external pressure of funding, while the case in this study shifted following internal pressures to meet market performance. This could additionally explain the differing sense of urgency between the cases, impacting the level of acceptance.

While research like Carlsson-Wall et al. (2019) have effectively investigated the employment of technocratic and socio-ideological controls in multinational organizations, particularly in managing integration-related tensions, they do not explicitly address the dynamics of PMS following acquisition. Moreover, this study further explored a setting marked by a cultural background, adding a layer of understanding to existing research regarding this subject.

To conclude, this study adds to existing knowledge in several aspects. Firstly, although change promoters are initiating change through the appropriate methods according to findings in previous literature, it does not necessarily mean that these changes fully yield the desired outcomes in terms of cultural acceptance, although financial performance is improved in line with expectations. This leads to the second addition, which is the additional strong support for the idea that integration following an acquisition is widely contingent on the context. Lastly, this study demonstrated an internal shift in the direction of influential relationships of controls, according to the framework of technocratic and socio-ideological controls (Alvesson & Kärreman, 2004).

6. Conclusion

6.1 Summary

Based on the frequent occurrence of PMS and M&A in the Swedish business environment, a gap was identified regarding the effects on PMS in a company with a deeply rooted culture, following an acquisition in this context. Through the research question *"How are Performance Management Systems (PMS) in an organization with a strong culture affected by an acquisition?"* the study aimed to contribute to the existing knowledge in the field of MC. The study employs a qualitative research approach, through conducting a single case study on the acquisition of William Enterprise by Capital Partner. Data was gathered through semi-structured interviews with nine individuals, sourced from both involved organizations.

To answer the research question, the study applied Alvesson & Kärreman's (2004) framework, incorporating aspects of technocratic and socio-ideological controls on the PMS of William Enterprise. The research contributes with uncovering an internal shift stemming from the acquisition as the relationship went from the socio-ideological controls influencing the technocratic controls, following a similar logic as showcased in Kraus et al., (2017), to an inverse relationship, based on the reasoning of Alvesson & Kärreman, (2004). The latter relationship arised from the MCS transition, including the introduction of the development model. Moreover, the technocratic controls increased in significance by being maintained, developed, and complemented through the change. It is evident that the PMS after the acquisition became more finance-oriented, in line with the vision of the management and the investor.

Nevertheless, the central finding was how the changed PMS have affected the organization's vision, as they suggest a faced hesitance of the increased commercial focus, due to their deeply rooted company culture. The development model was introduced to promote behavior aligned with the aspired new culture. The hesitation originated from their long history of being owned by a member organization, with a lower profit focus. Since integrating a culture takes time, it is important to note that we have through this study not been able to see the end results of the implementations. On the other hand, considering the investor’s long investment horizon, they were an appropriate partner for this case. This aspect should be considered in similar future cases. To sum up, our findings support and expand on previous research, by suggesting that post-acquisition implementation and integration requires an individualistic approach.

6.2 Delimitations & Limitations

It is crucial to recognize that this study has certain delimitations and limitations. It cannot be foreseen that this study comes with delimitations and limitations. To begin with, the main delimitation is that the study focused on how the PMS in an organization with a deeply rooted history was affected by being acquired by a private equity firm. Thus, this study is delimited to a specific type of case, namely where there is a large shift in vision. Consequently, a delimitation was made by highlighting the changed ownership structure of the group, disregarding the smaller acquisitions made by the acquired company, and the culture shifts these could entail. Lastly, the study concentrated on the majority business (70%) of the organization, being accounting consultancy. As a result, the findings of this study do not demonstrate a complete view of the company practices and culture throughout the organization.

Regarding limitations, the study's findings may not explain a similar phenomenon in a case that (i) does not entail a large shift in vision due to the natures of the acquirer and acquiree, (ii) explores the control shifts following smaller acquisitions within the organizational group, and (iii) occurred further back in time, leaving sufficient time to implement the changes in the operations. In addition, the findings in this study were limited to scheduled interviews providing preparation opportunities, possibly implying tailored data. Conclusions drawn could be enhanced through dedicated observations of daily operations, enabling gathering of tacit knowledge and cultural information.

6.3 Suggestions for Future Research

Given the lack of scope to see the implementation's full effects, a valuable direction for further research involves undertaking a longitudinal study, allowing an investigation of the long-term impacts when initiatives are fully integrated. Considering the operational changes, interesting further research would be to investigate the impact on employees' motivation and job satisfaction. Besides, given the study's emphasis on digital transformation, further research could explore how recently integrated digital practices and emerging technologies (such as AI) impact the PMS following an acquisition. Future research could further consider other approaches regarding the MCS, exploring other aspects than those covered in this study.

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8. Appendix

8.1 Appendix 1: Review of Interview Subjects

Date	Name*	Organization*, Title	Location	Duration
2023-10-12	Carina (Pilot Interview)	William Enterprise, Senior Accounting Consultant	Microsoft Teams	52:01
2023-10-17	Kristin	William Enterprise, Senior Accounting Consultant	Microsoft Teams	33:16
2023-10-18	Karl	Capital Partner, Partner	Capital Partner HQ	52:50
2023-10-18	Stefan	William Enterprise, Senior Accounting Consultant	Microsoft Teams	50:06
2023-10-20	Harry	William Enterprise, Head of Group Business Control	William Enterprise HQ	1:12:36
2023-10-20	Frank	William Enterprise, CEO	William Enterprise HQ	51:39
2023-10-26	Ted	William Enterprise, CFO	William Enterprise HQ	58:52
2023-10-27	Ida	William Enterprise, Accounting Consultant	Microsoft Teams	53:19
2023-10-30	Sara	William Enterprise, Market Area Manager	Microsoft Teams	33:36

**All interviewee and organization names are pseudonyms* μ = 50:55

8.2 Appendix 2: Interview Guides Extract

Note: The questions were originally asked in Swedish and have been translated into English for this document. The questions were tailored to suit the role of the recipient (Capital Partner, William Enterprise management and accounting consultants.). However, they have been generalized for simplicity.

Formalities:

- Signing the GDPR form
- Asking for permission to record and cite the interview
- Introducing the research question and clarifying the concepts of the study

Background:

- Introduction of the interviewee
- Years at company

The acquisition:

- Details of the acquisition

Technocratic controls, the “hard” controls:

- Pre- and post-acquisition
    - What is measured and evaluated?
        - Financial
        - Non-financial
    - Goals and standards of what was measured
    - How are the controls monitored and evaluated
    - Incentive systems
    - Impact of changes on current practices

Socio-ideological controls, the “soft” controls:

- Pre- and post-acquisition
    - Work culture and dynamics
        - Overall mentality and atmosphere
        - Values
        - Communication, interaction, and collaboration
        - Work environment
        - Leadership
    - Goals and standards of what was measured
    - How are the controls monitored and evaluated
    - Impact of changes on current practices

View of change:

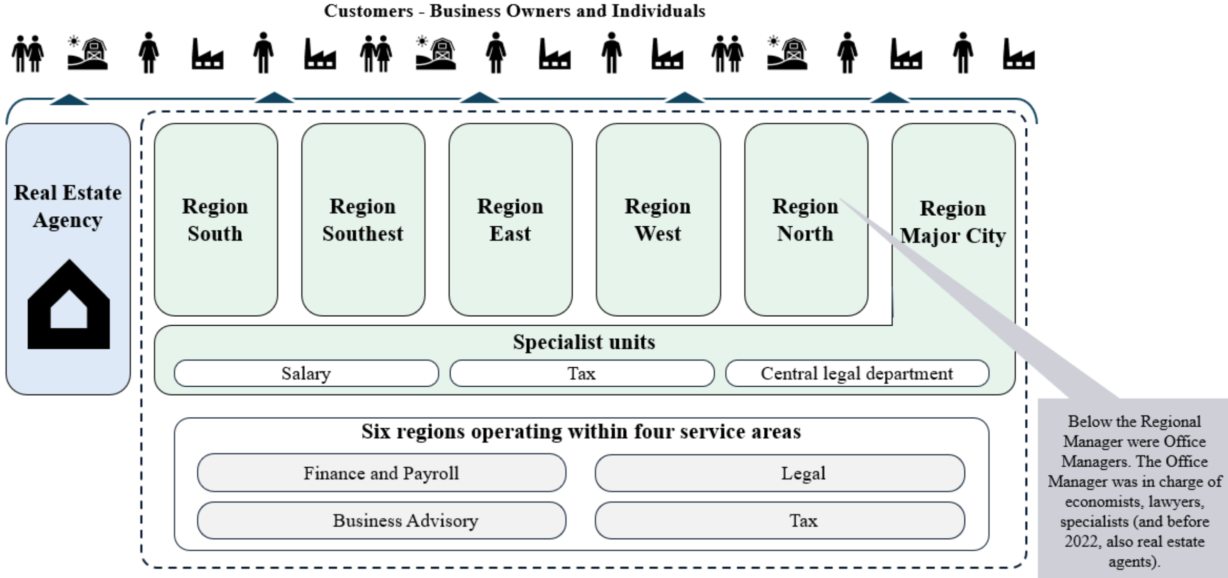
- Considering the changes in both the "hard" and “soft” controls, what has been the most extensive change?
    - What improvements and challenges has it brought?
- Are the changes introduced after the acquisition in line with the organization’s original vision and values?
- Has the acquisition affected how you or William Enterprise perform?
- Do you think that any of the changes mentioned originate from factors other than the formal changes made by management?

Concluding remarks:

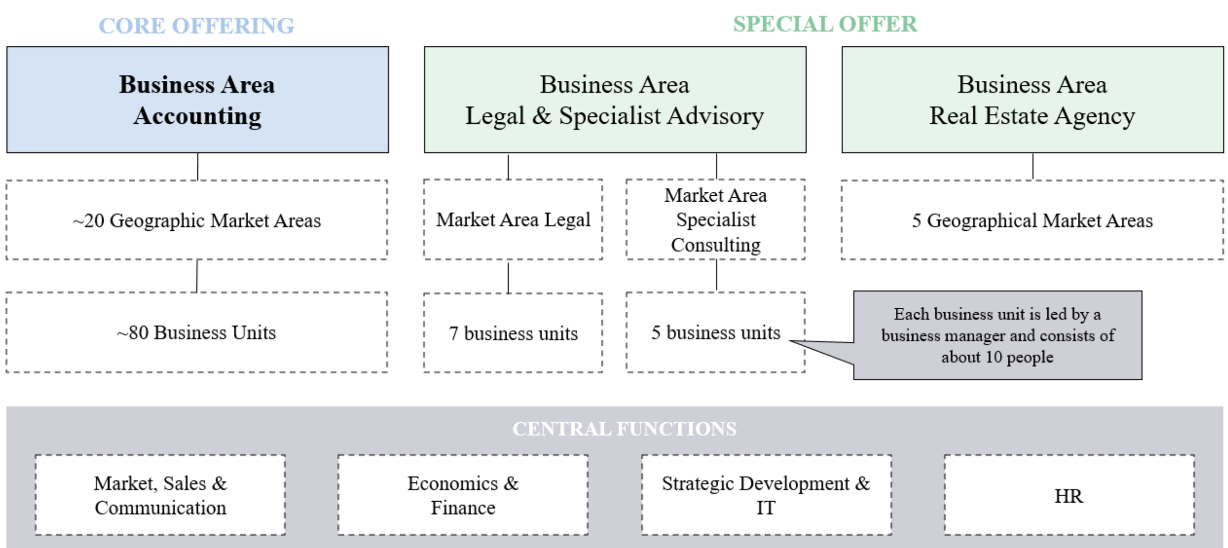
- Are there any other questions or aspects that you believe are important to mention, which we have not yet discussed?

8.3 Appendix 3: The Organization Structure

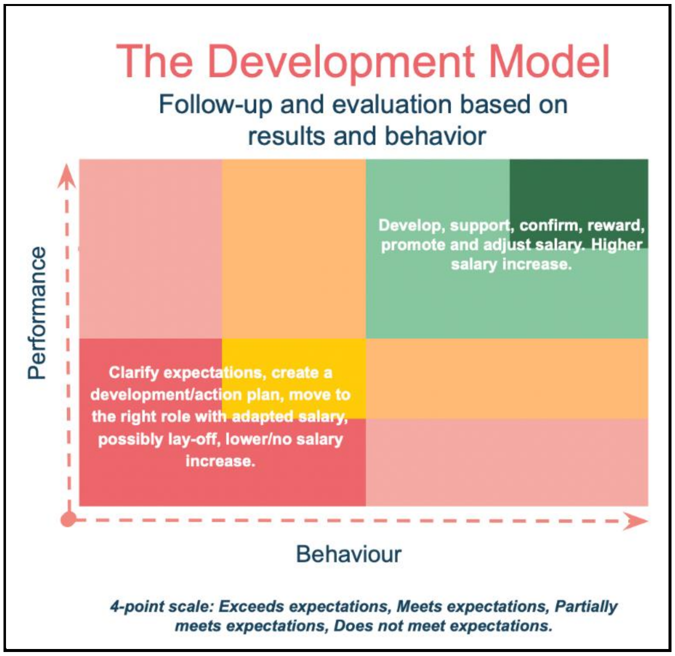
8.3.1 Organization Before 2023 January 1



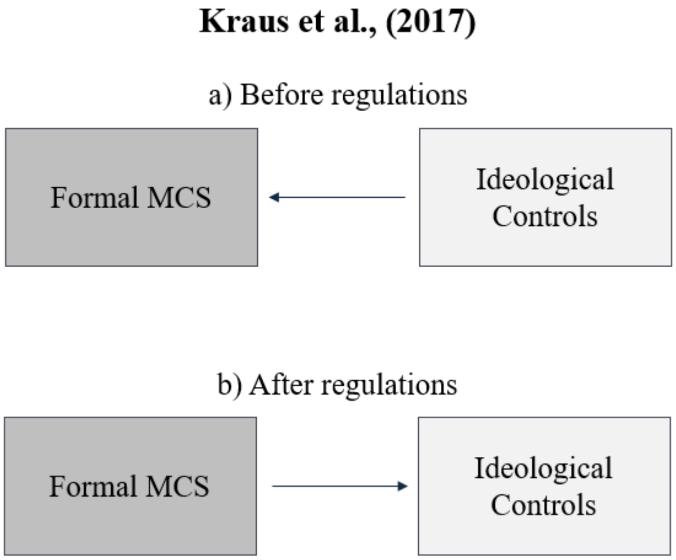
8.3.2 Organization After 2023 January 1



8.4 Appendix 4: The Development Model



8.5 Appendix 5: The Direction of Influential Relationship, Kraus et al., (2017)



8.6 Appendix 6: The Direction of Influential Relationship, Alvesson & Kärreman, (2004)