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Pulling Together While Growing Apart:

The Use of Management Control Systems by Serial Acquirers

A qualitative case study on how serial acquirers manage tensions in the post-acquisition phase

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Abstract

This thesis examines the underexplored intersection of management control systems (MCS) and mergers and acquisitions (M&A), focusing on how serial acquirers use MCS to manage tensions in the post-acquisition phase. While prior research on management control in M&A has primarily examined single acquisitions or transactions between publicly listed firms, serial acquirers operate in a different context, acquiring small- to medium-sized privately held companies. These transactions constitute a substantial share of global M&A activity yet remain comparatively understudied due to limited disclosure of data.

To address this gap, this thesis conducts a qualitative single-case study of a Nordic serial acquirer, MedCo, and two of its portfolio companies, MedCoMini A and MedCoMini B. The empirics draw on the MCS framework by Malmi and Brown (2008), and are analyzed through paradox theory by Smith and Lewis (2011).

Through this, we found that (1) serial acquirers use MCS to continuously balance an overarching organizing tension that shapes how belonging, learning, and performing paradoxes unfold. This organizing logic is supported in practice by two key features: (2) bidirectional learning between the serial acquirer and its portfolio companies, through which MCS practices evolve over time; and (3) simplicity in control structures, where a limited set of KPIs, clear non-negotiables, and predictable routines make performance tensions manageable in practice.

Keywords: M&A; Serial Acquirers; Management Control Systems; Paradox Theory; Tensions

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I. Introduction

> Efficiency and economies of scale naturally push companies toward more coordination, but every step in that direction erodes some of the decentralized uniqueness. There is no final steady state; leading this company is like trying to balance a pendulum, constantly keeping the system in equilibrium. (CEO, MedCo)

Serial acquirers operate within this ongoing balancing act, embodying the paradox of *pulling together while growing apart*: maintaining cohesion through shared structures and controls while simultaneously expanding through new acquisitions, geographies, and local entrepreneurial activity.[1] Such growth invariably increases organizational complexity and interdependence across business units, intensifying the challenge of keeping the "pendulum" steady (Otley, 2016; Sandelin, 2008; Davila, 2005).

Previous research shows that while growth through mergers and acquisitions (M&A) is central to corporate strategy, many deals fail to deliver expected value (Chatterjee, 2009).[2] However, this pattern of underperformance does not apply to all acquirers. Serial acquirers stand out for their historical success and have become an increasingly prominent feature of the Nordic business landscape (REQ Capital, 2025). Firms such as Indutrade, Lagercrantz, and Lifco exemplify this model. They have pursued sustained growth through continuous acquisitions of small and privately held companies (REQ Capital, 2025). Understanding how these firms grow consistently without losing cohesion has therefore become increasingly important. Previous research indicates that management control systems (MCS) play a central role in helping firms navigate growth and organizational complexity (Davila, 2005). This makes MCS a critical area for further study and reveals how serial acquirers use MCS in the post-acquisition phase.[3]

Despite the financial success and high acquisition activity of serial acquirers, existing M&A and MCS research provides limited insights into how these firms use MCS. Prior M&A studies have largely examined transactions between publicly listed firms and focused on single-deal transactions (REQ Capital, 2025). Consequently, acquisitions of privately held

[1] A serial acquirer is a firm that continuously acquires primarily small companies as part of a long-term growth strategy (Laamanen & Keil, 2008).
[2] A merger integrates two firms into a new legal entity (Singh, 1971), whereas an acquisition involves one firm obtaining controlling ownership in another (DePamphilis, 2018).
[3] MCS is the set of systems organizations use to direct and influence behavior (Malmi and Brown, 2008).

companies remain comparatively understudied, primarily due to limited data availability for small and privately held companies. The limited accounting research that exists is mostly quantitative, focusing on financial outcomes and performance rather than on the organizational and managerial mechanisms by which serial acquirers govern and coordinate their portfolio companies (Haspeslagh and Jemison, 1991).[4] Additional research on serial acquirers can be found within the management field, where prior studies primarily focus on post-acquisition integration and learning from past deals, but offer limited insight into how MCS are used to govern and coordinate portfolio companies (Colman & Lunnan, 2024; Chao, 2018; Chatterjee, 2009; Vermeulen & Barkema, 2001).

Similarly, much of the MCS literature has examined management controls (MCs) in isolation rather than as interrelated elements within a broader control package, although interest in such holistic perspectives has recently increased (Otley, 2016; Malmi & Brown, 2008). This tendency has been accompanied by the assumption that each MC element is internally coherent, which oversimplifies their complex and multifaceted nature while limiting attention to the tensions and contradictions embedded within individual mechanisms (Strauss et al., 2025).

Taken together, these strands of literature reveal a clear gap at the intersection of MCS and M&A research, highlighting the need for a deeper qualitative understanding of how serial acquirers manage their expanding portfolios. This thesis addresses this gap by examining how a Nordic serial acquirer uses MCS to manage tensions in the post-acquisition phase.

Understanding this phenomenon and thereby addressing the identified research gap is particularly important as global M&A activity continues to rise (Farr & Crowley, 2025). This trend is further reinforced by globalization. As firms operate across multiple markets and regulatory environments, organizational complexity increases, and new demands are placed on how MCS are used to ensure coordination and accountability (Otley, 2016).

To explore this, the thesis conducts a qualitative single-case study of a recently listed Nordic serial acquirer, hereafter referred to as "MedCo." We apply Malmi and Brown's (2008) package of five control mechanisms to structure our findings and analyze the empirical data through the lens of paradox theory (Smith & Lewis, 2011). By moving beyond macro-level analyses, the study adopts a micro-meso perspective on MCS use within a serial acquirer group,

[4] A portfolio company is a firm that has been acquired and is owned or managed by the acquirer.

incorporating insights from both the acquirer and its portfolio companies. Specifically, by addressing the following research question, the study aims to bridge MCS and M&A research:

> How are management control systems used by serial acquirers to manage paradoxical tensions in the post-acquisition phase?

In doing so, this thesis makes three main contributions to MCS and M&A literature (Strauss et al., 2025; Väisänen et al., 2021; Otley, 2016; Cugueró-Escofet & Rosanas, 2013; Mundy, 2010; Sandelin, 2008; Malmi and Brown, 2008). First, it contributes to the current accounting literature by providing new empirical insights into how serial acquirers use MCS to manage tensions in the post-acquisition phase. The findings show that serial acquirers do not seek to eliminate paradoxical tensions but instead use MCS to continuously balance an overarching organizing tension. This tension shapes how paradoxes of belonging, learning, and performing are enacted. This advances existing research by positioning paradox management, rather than integration or standardization, as a central logic of control in serial acquisition contexts.

Second, we identify bidirectionality as one key design feature that shapes how learning tensions are handled in practice: serial acquirers set expectations and provide structure, while simultaneously drawing on practices and experiences from portfolio companies to develop and refine their MCS (extending prior work, Väisänen et al., 2021; Otley, 2016). Third, we show that simplicity in control architectures is another key design feature that shapes how performance tensions are managed, as simpler systems allow financial discipline to coexist with local motivation without overwhelming local units (a point less emphasized in prior research, Cugueró-Escofet & Rosanas, 2013; Malmi & Brown, 2008). By doing so, this thesis provides practical insights for managers in serial acquirer settings and similar firms by illustrating how MCS can be used to sustain entrepreneurial initiative while achieving coherence and coordination across expanding and international organizations (Mundy, 2010; Sandelin, 2008).

In the following section, we introduce our research domain and outline the theoretical framework guiding this study. Section 3 details the research methodology, including the research approach, data collection, and data analysis. Sections 4 and 5 present the empirical findings and the analysis based on Smith and Lewis (2011). Section 6 provides the conclusion, addresses the study's limitations, and identifies directions for future research. Finally, Section 7 comprises the references, and Section 8 includes the appendix.

2. Domain and Theoretical Framework

Inspired by Lukka and Vinnari (2014), the theoretical foundation of this thesis comprises two elements: domain theory and theoretical framework. The domain theory section positions the study within the literature on MCS, with particular focus on M&A, before narrowing the discussion to previous research on serial acquirers. Following this, Smith and Lewis's (2011) paradox theory provides the theoretical framework for a deeper understanding of the inherent tensions within and among the control elements.

2.1 Domain Theory

The domain theory outlines the most relevant papers with which this thesis communicates. It begins with a review of the literature on M&A and MCS, followed by a brief presentation of key contributions on serial acquirers and management.

As explained in the introduction, MCS and M&A research have previously mostly focused on single public transactions, in which MC mechanisms have been examined in isolation rather than as an interrelated package. Since this thesis discusses the use of MCS by serial acquirers, the following literature review focuses on MC research in the context of M&A.

2.1.1 Management Control System as a Package

We follow Malmi and Brown (2008) in viewing MCS as a package, who define MCS as "those systems, rules, practices, values, and other activities management put in place in order to direct employee behavior should be called MCs. If these are complete systems, as opposed to a simple rule, then they should be called MCS" (p. 290). In their research, they identify five categories of controls: *planning, cybernetic, reward and compensation, administrative,* and *cultural*, which together shape organizational behavior.

Planning controls are described as an "ex ante form of control" that shapes organizational behavior before actions occur, "thereby directing effort and behavior" (Malmi & Brown, 2008, p. 291). First, setting goals for different parts of the organization to direct employees; second, defining standards linked to these goals to clarify expected behaviors; and third, promoting congruence by aligning objectives across departments, thereby coordinating individual and

collective action. Planning controls, in turn, can be divided into two components: action planning (short-term tactical goals) and long-range planning (strategic, medium- to long-term objectives).

Cybernetic controls operate through a five-step loop which involves quantifying activities, setting performance targets, measuring actual results, comparing these results to targets, identifying variances, and adjusting actions accordingly (Malmi & Brown, 2008). Previous research has mainly identified four basic cybernetic systems: budgets (Hansen et al., 2003); financial performance measures (Ittner & Larcker, 1998); non-financial performance measures; and hybrid systems such as the Balanced Scorecard (Malina & Selto, 2001; Ittner & Larcker, 1998).

Reward and compensation controls focus on motivating and increasing the performance of individuals and groups within organizations by aligning their goals and activities with those of the organization (Bonner & Sprinkle, 2002). They rest on the underlying assumption that monetary incentives and rewards lead to greater effort than would otherwise occur. By linking effort to the task, performance can be improved via three dimensions: direction, duration, and intensity.

Administrative controls, the fourth control mechanism, "direct employee behavior through the organizing of individuals and groups" (Malmi & Brown, 2008, p. 293), monitoring their actions, and defining accountability. In Malmi and Brown's (2008) framework, administrative controls comprise three elements: organizational design and structure (Alvesson & Karreman, 2004; Abernethy & Chua, 1996), governance structures (Abernethy & Chua, 1996), and policies and procedures (Macintosh & Daft, 1987; Simons, 1987). Organizational design acts as a control mechanism, as managers can shape structures to influence interaction and relationships (Alvesson & Karreman, 2004; Abernethy & Chua, 1996). Governance structures define formal lines of authority and accountability through board composition, management teams, and coordination mechanisms such as meetings and schedules (Abernethy & Chua, 1996). Policies and procedures formally specify desired behaviors and processes, including standard operating procedures and rules (Simons, 1987).

Finally, *cultural controls* operate as a "control system when it is used to regulate behaviour" (Malmi & Brown, 2008, p. 294) and comprises three components: value-based controls, symbol-based controls, and clan controls. Value-based controls are formal systems used by top managers to define, communicate, and reinforce the organization's basic values, purpose,

and direction. These values shape behavior by recruiting individuals whose values align with organizational aims, socializing employees to internalize those values (Alvesson & Kärreman, 2004), and articulating behavioral expectations even when not personally shared (Malmi & Brown, 2008). Symbol-based controls involve visible expressions, such as workspace design or dress codes, that reinforce desired cultural norms and expectations (Schein, 1997). Clan controls draw on subcultures, where socialization processes instill shared values and skills (Malmi & Brown, 2008). These are reinforced through collective rituals and ceremonies that foster group identity and informally guide behavior.

Taken together, this control package provides a comprehensive understanding of how control is exercised within organizations and is particularly relevant for exploring how serial acquirers coordinate and integrate portfolio companies. Accordingly, this thesis applies Malmi and Brown's (2008) framework to structure the empirics and to interpret how MCS are used by serial acquirers in the post-acquisition phase.

2.1.2 Management Accounting in M&A

MCs are particularly relevant during the post-acquisition phase, widely regarded as one of the most critical determinants of acquisition performance (Fubini et al., 2007; Larsson & Finkelstein, 1999). In this phase, MCS helps firms align goals, coordinate activities, and maintain stability during the uncertainty that follows an acquisition (Merchant et al, 2007).

One important contribution to understanding the role of MCs in post-acquisition contexts is provided by Väisänen, Tessier, and Järvinen (2021). In their study, the authors investigate how enabling perceptions of newly imposed control systems can be fostered when rigid, top-down controls are introduced following an acquisition. Building on Adler and Borys's (1996) distinction between enabling and coercive formalization, they examine a case in which an acquiring firm faced pressure to rapidly implement highly formalized global control systems in a newly acquired subsidiary. While prior research has emphasized the importance of participative design for enabling controls (Wouters & Wilderom, 2008), Väisänen et al. (2021) demonstrate that enabling perceptions can still be achieved even in the absence of such participation, provided that trust and positive interpersonal relationships are actively cultivated between acquirer and acquiree. By clearly explaining the rationale behind new controls and engaging in ongoing dialogue, managers helped employees perceive formal systems not as "a sign of

mistrust" (Väisänen et al., 2021, p. 1334), but as supportive tools for coordination. However, this might not be enough to prevent negative reactions toward the controls, as the rationalization of new controls mainly occurs during the integration phase. Hence, even if employees understand why controls are being implemented, the initial positive reaction could shift to a negative one if controls are "too restrictive to use" on a daily basis (Väisänen et al., 2021, p. 1362). Features such as flexibility, internal and global transparency enhance the usability of MCs, reflecting a design logic in which managers "demonstrate trust in their employees' competence and provide them with the information they need to be competent" (Väisenen et al., 2021, p. 1316). The authors conclude that trust is a fundamental ingredient in fostering perceptions of control, emphasizing the dual role of MCs as both technical instruments and relational mechanisms that support integration and cooperation in post-acquisition contexts.

Building on this relational view, Cugueró-Escofet and Rosanas (2013) broaden the discussion by arguing that MCS's effectiveness in achieving goal congruence depends on both its just design and its just use.[5] They distinguish between formal justice, referring to the "objective, rule-based aspects" of a system's design, and informal justice, referring to the "specific way the MCS is used" (Cugeró-Escofet & Rosanas, 2013, p. 25); together, these two forms of justice shape perceptions of fairness. As they explain, "justice requirements therefore need to be linked both to the design of a MCS and to subjective uses of the MCS" (Cugeró-Escofet & Rosanas, 2013, p. 37), as unjust design and use may lead to minimum goal congruence, a condition in which organizational members disidentify with the organization, and value is ultimately destroyed. To achieve fairness, MCS must be designed around transparent, consistent, and ethically grounded principles, such as goals that integrate individual aims, clearly established rules, and mechanisms for correcting injustices. At the same time, their effective use depends on "the fairness shown by the users of the system" (Cugeró-Escofet & Rosanas, 2013, p. 33), namely, the managers who operate it. Ultimately, as the authors note, "justice holds people together, whereas injustice can pull them apart" (Folger & Cropanzano, 1998, preface xii), positioning justice as a foundation for fairness, cooperation, and goal congruence.

Another important paper for our study is Davila's (2005) exploration of how organizational growth influences the adoption of MCS. The author finds a positive association between firm size and the use of formal controls, suggesting that company expansion creates a

[5] Goal congruence means aligning personal and organizational goals.

need for formalized systems. In the early stages of a firm, "control and coordination happen through frequent and informal interactions" (Davila, 2005, p. 225). However, as an organization grows, the number of interactions increases rapidly, making informal coordination both costly and inefficient. As Davila (2005) explains, "growing companies are faced quickly with the tensions associated with informal processes and the challenge of successfully mastering the transition into formal control systems" (p. 224). This growth also introduces greater complexity through increased differentiation and integration needs, as well as the challenges of entering new markets and products (Mintzberg, 1979). Together, these factors make it no longer feasible to rely solely on informal systems, necessitating more structured and formal management controls. A lack of such management tools can restrain growth or even lead to failure, while well-designed systems can support expansion by freeing top managers' attention and providing timely information (Davila, 2005). Davila (2005) further notes that organizational age contributes to the development of MCS, as "learning about management can be translated into improved MCS" (p. 227). Even in the absence of growth, accumulated experience and repeated processes enable firms to refine their control practices over time. This discussion underscores that the effectiveness of formalized systems depends not only on their adoption but also on how they are applied and adapted within different organizational settings.

The contextual application of MCS is further explored by Otley (2016), who, from a contingency perspective, argues that "universal solutions to problems in organizational control generally do not exist," emphasizing the need to tailor the design and use of MCS to organizational context. Early definitions, such as Anthony's (1965) description of MC, excluded issues of strategic and operational control. Since then, MCS has expanded beyond this narrow accounting view to encompass broader organizational and inter-organizational concerns. As firms increasingly operate within complex supply chains and business environments become more dynamic and competitive, "new forms of control need to be developed," prompting MC to adapt and broaden in scope to ensure coordination across boundaries (Otley, 2016, p. 46). The growing multinational nature of organizations adds another layer of complexity, as effective systems in one national environment may function very differently in another cultural or institutional setting. This also helps explain why M&A transactions often reveal ineffective systems change due to differing organizational cultures (Larsson & Finkelstein, 1999).

Still, Otley (2016) stresses that organizations do not simply move "from one equilibrium to another," but that MCS should be viewed as "packages which are constantly being modified and developed," often containing "inconsistent and contradictory elements" (pp. 53–54). Such inconsistencies are not necessarily problematic but instead reflect the adaptive and evolving nature of control systems operating under conditions of change and uncertainty. Recognizing this, Otley (2016) highlights the increasing importance of informal processes, which play a critical role in maintaining coherence and functionality of the formal systems. Ultimately, he concludes that the "overall context and design of an overall MCS" (Otley, 2016, p. 55) requires sensitivity to the broader context in which it operates, both to specific organizational factors and to general trends.

Recognizing this adaptive and context-sensitive nature of control systems provides an entry point to research that explicitly examines tensions and contradictions within MCS. In line with this, research on paradox and related concepts in organizational studies has grown rapidly over the last 25 years (Schad et al., 2016). A recent perspective by Strauss et al. (2025) offers insights into how such inconsistencies and contradictions within MCs can become productive rather than disruptive. In their qualitative case study of an international organization, the authors examine how a newly acquired division was integrated, and new MCs were introduced. Drawing on paradox theory (Smith & Lewis, 2011) and ideas concerning the interdependencies among MC elements (Bedford, 2020), they show that MC elements "embed various paradoxical tensions which are interwoven, resulting in cross-level, competing or complementary effects among the MC elements" (Strauss et al., 2025, p. 1). During the integration, the newly implemented controls made the opposing poles of organizing, belonging, and performing tensions visible for employees in the acquired unit. While these changes initially created frustration, "the paradoxical tensions mitigated one another, which fostered complementarity among the MC elements" (Strauss et al., 2025, p. 9). Although individual controls appeared restrictive or misaligned, collectively they created a dynamic balance between control and flexibility. As the authors note, "MC elements can render the opposing poles of a paradox recognizable and, therefore, manageable for actors" (Strauss et al., 2025, p. 1). Their findings highlight that MCs are not merely instruments of constraint or coordination, but also mechanisms through which tensions become productive. Managers should therefore approach paradoxical tensions not as problems to be solved but as opportunities for reflection and innovation, since recognizing MCs as

"inherently paradoxical constructs" (Strauss et al., 2025, p. 14) enables the design of systems that are both supportive and adaptable.

2.1.3 Management in Serial Acquirers

Although no qualitative accounting studies have explicitly examined the MCS of serial acquirers, research on organizations with similar characteristics offers valuable insights into this setting.

One relevant study is Sandelin's (2008) longitudinal case of a technology firm experiencing rapid growth. Similar to serial acquirers, the firm's rapid growth increased organizational complexity and created tensions between entrepreneurial autonomy and the need for greater formal control. Sandelin (2008) found that a firm's functionality of a control package depends on its internal consistency, "specifically on the reciprocal linkages of design and use between a primary mode of control and other control elements." In this view, effective control is achieved not through isolated mechanisms, but through the interrelated use of multiple control forms. Sandelin (2008), like Davila (2005), further argues that informal controls can substitute for formal systems when operational complexity is limited. However, as the firm's operational and geographical complexity increases, the need to adopt more formal, information-mediating control practices increases (Moores & Yuen, 2001). Sandelin (2008) concludes that even as firms expand and adopt more formal, information-based controls, they should still strive to keep their MCS simple and internally consistent. Simplicity promotes clarity, efficiency, and adaptability, enabling effective coordination even amid increasing complexity (Lukka and Granlund, 2003).

Building on the importance of managing the tension between control and flexibility, Mundy (2010) examines how large multinational organizations balance the controlling and enabling uses of MCS to foster both stability and innovation. Similar to serial acquirers, the company oversees several sub-units, where the challenge lies in maintaining sufficient control to ensure strategic alignment while simultaneously encouraging autonomy and innovation across diverse units. Mundy (2010) argues that "the simultaneous use of MCS to direct and to empower requires purposeful intervention by senior managers in order to create the conditions in which productive tensions can emerge." When effectively managed, these tensions allow the organization to remain disciplined yet adaptable, turning internal conflicts into drivers of innovation and performance improvement (Widener, 2007; Henri, 2006). Internal consistency, logical progression, historical tendency, dominance, and suppression are a few identified

organizational factors that shape how managers combine and apply control mechanisms to sustain this balance. Mundy (2010) further found that an imbalance emerged when short-term financial targets overshadowed long-term strategic discussions, constraining innovation and limiting managers' capacity to both guide operations and encourage initiative. Maintaining this balance is complicated by the fact that organizations are not static. As Mundy (2010) notes, managers "seek to balance controlling and enabling uses of MCS, but their efforts are constantly thwarted by shifting priorities, complex problems, and new information" (p. 516). Such dynamics highlight the need for continuous adaptation as organizations evolve (Armstrong, 2002). For serial acquirers, such adaptability is crucial since each acquisition requires ongoing adjustments to maintain coherence and control across the group.

Although relevant qualitative studies within the accounting field are lacking, serial acquirers and their management of portfolio companies have been examined within the management literature. One such study is Chatterjee's (2009) examination of serial acquirers, which builds on Rovit et al. (2003) and argues that acquisition success is most likely when acquisitions are part of a coherent acquisition programme guided by a clear business logic and interdependencies among deals. He outlines three central managerial processes: target identification, negotiation, and integration, through which successful acquirers maintain control and strategic consistency across repeated acquisitions. For firms operating within a disciplined programme, integration becomes a continuation of earlier managerial choices, as clarity and alignment are established in advance. Serial acquirers often target small, privately held firms that are easier to integrate due to their smaller scale and lower organizational complexity. As Chatterjee (2009) notes, "small acquisitions are less likely to suffer from the ego problems of the owner." Similarly, several other studies argue that integration is a crucial element of successful acquisitions (Haspeslagh & Jemison, 1991).

Colman and Lunnan (2024) highlight that integration in serial acquirers is not merely a procedural step but a complex and relational process. Building on prior research on integration capabilities (Laamanen & Keil, 2008; Zollo & Singh, 2004), they introduce the paradox of integration capabilities, where the very mechanisms that enable effective integration—trust, collaboration, and knowledge sharing—are gradually weakened through the repeated disruptions caused by ongoing acquisitions. Over time, these strains undermine managers' ability to coordinate, learn, and maintain coherence across the organization. As Colman and Lunnan

(2024) conclude, “while serial acquirers are under constant pressure to ‘pull together,’ their organizations are increasingly ‘falling apart’” (p. 590).

2.2 Theoretical Framework

While the empirics are structured according to Malmi and Brown’s (2008) five control mechanisms, Smith and Lewis’s (2011) paradox theory is used to explore tensions within and between the MCs. This paradoxical framework reappears in the analysis to interpret and deepen our understanding of the empirical findings.

2.2.1 Paradox Perspective

Tensions are inherent in organizations, particularly those operating in complex and dynamic environments. A paradox perspective (Smith & Lewis, 2011) views these tensions not as problems to be solved but as persistent, interdependent elements that, if managed effectively, can become sources of strength and adaptability. How leaders respond to these tensions may, therefore, be decisive for an organization’s long-term success (Quinn, 1988).

Smith and Lewis (2011) define paradoxes as “contradictory yet interrelated elements that exist simultaneously and persist over time.” This definition underscores two dimensions: the underlying tensions, which appear logical in isolation but inconsistent when juxtaposed, and the organizational responses that embrace rather than resolve them (Lewis, 2000). Paradoxical tensions can remain latent and unrecognized by actors until triggered by environmental factors or cognitive efforts, at which point they become salient and experienced as contradictions (Smith & Lewis, 2011). Smith and Lewis (2011) categorize paradoxes into four types: *belonging, learning, organizing, and performing* (see Figure 1).

Belonging paradoxes reflect tensions between identity and shared values: individuals and groups simultaneously seek distinction and unity. These tensions are central in post-acquisition contexts, where actors must align with new organizational identities while preserving their local sense of belonging (Smith & Lewis, 2011). In such settings, fostering control is particularly relevant, as it “develops trust by facilitating goal sharing, mutual learning, and value integration” (Vuorenmaa, 2024, p. 2).

Learning paradoxes emerge from the interplay between stability and change. Organizations must build on elements of the past while also dismantling aspects of it to enable

future development. This dynamic is echoed in Strauss et al. (2025), who show that change processes often activate latent control tensions, as "drastic change spurs tensions between the old and the new, which actors must address, providing a unique opportunity to observe paradoxical tensions" (p. 2).

Organizing paradoxes capture the tension between control and flexibility, and between collaboration and competition. Such paradoxes are particularly salient in MCS, where managers aim to maintain local autonomy while ensuring control. Vuorenmaa (2024) illustrates this through the dual use of forcing and fostering controls, coercive structures that provide stability alongside cooperative mechanisms that build trust.

Finally, *performing paradoxes* arise when organizations face competing strategic objectives, for example, profitability versus learning, or short-term efficiency versus long-term growth.

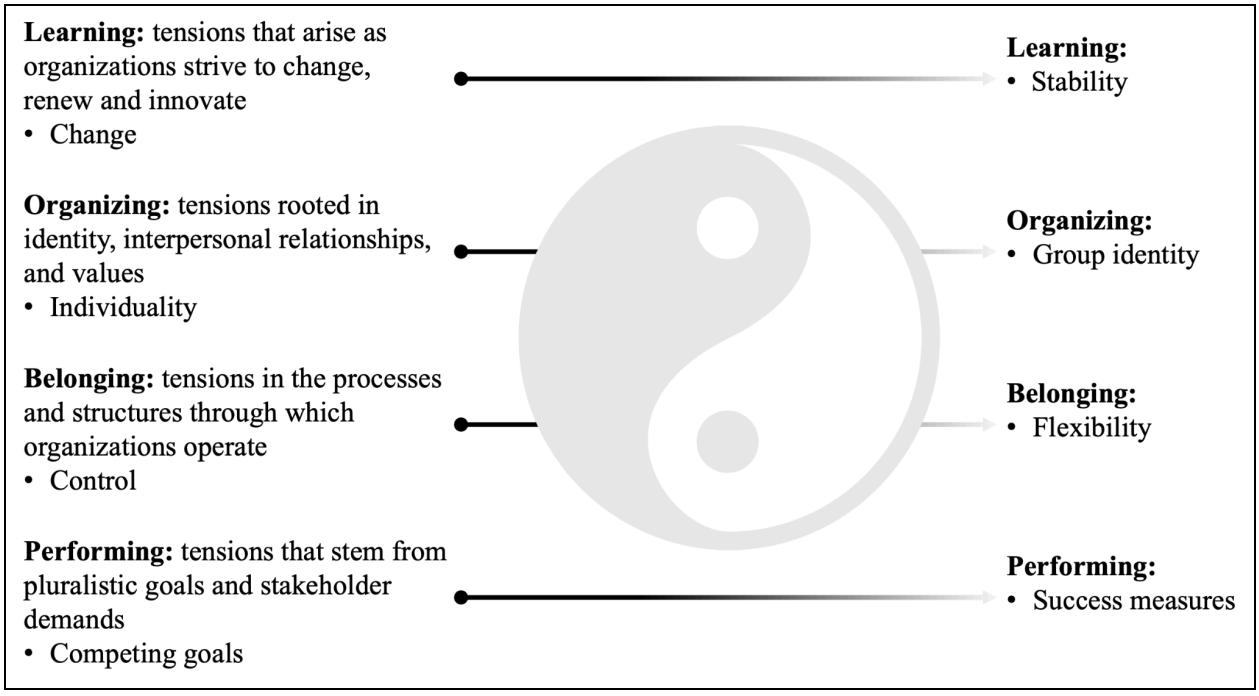

Figure 1: Visualization of the four paradoxes, illustrated through a Yin-Yang model showing the coexistence of opposing yet mutually reinforcing elements (adapted from Smith & Lewis, 2011).

Smith and Lewis (2011) note that "tensions operate between as well as within these categories," and often overlap across multiple organizational levels, from the individual to the system, revealing their embedded nature within everyday structures and routines (p. 384). Yet, as Cunha and Putnam (2017) caution, paradox theory may itself fall victim to a "paradox of

success" (p. 2). They warn that the growing dominance of paradox thinking risks "premature convergence on theoretical concepts, overconfidence in dominant explanations, and institutionalizing labels that protect dominant logics" (Smith & Lewis, 2011, p. 96). In other words, as paradox theory becomes more established, it may lose some of its critical and exploratory capacity, stabilizing what was originally intended as a dynamic, open, and pluralistic framework.

Consequently, in this thesis, we view paradoxical tensions as inherent features of organizational life and understand MCS as mechanisms for engaging with these tensions. Rather than creating tensions, MCS helps organizations navigate, balance, and leverage competing demands over time (Lewis, 2000). Applying paradox theory as our theoretical framework (Lukka & Vinnari, 2014) enables us to examine how serial acquirers use MCS to navigate ongoing tensions within and among the controls themselves. From this perspective, paradox theory (Smith & Lewis, 2011) offers a useful lens for interpreting how the control elements outlined by Malmi and Brown (2008) interact as a package in practice.

3. Research Methodology

In this section, we outline the research approach employed in this thesis and describe how the empirical data were collected and analyzed to examine the use of MCS in serial acquirer contexts.

3.1 Research Approach

This thesis adopts a qualitative, single-case study design to investigate the research question:

> How are management control systems used by serial acquirers to manage paradoxical tensions in the post-acquisition phase?

A qualitative methodology is appropriate given the phenomenon's complexity and contextual embeddedness, and as the data primarily captures organizational processes, meanings, and interpretations rather than quantifiable measures (Creswell, 2018). More specifically, the study employs an explanatory case study design (Scapens, 2004), which is well-suited to advancing understanding of why and how MC elements interact within complex organizations, thereby contributing to both theoretical development and practical insight.

Although one might argue that conducting this research across several acquirers would be preferable, a single case enables greater depth and a more detailed, contextually grounded analysis (Siggelkow, 2007; Bell et al., 2022). Given the scope of this thesis and limitations in time and resources, a single-case study is therefore considered the most suitable approach.

Furthermore, Smith and Lewis (2011), whose work underpins the theoretical lens of this thesis, develop their paradox theory through prior literature rather than empirical cases. While their approach is broad and general, this thesis applies the theory to a single case, enabling a more detailed, situated analysis. Narrowing the scope to one organization provides depth in examining how MCS are used in practice through the lens of paradoxes, while still connecting to the broader theoretical discussion (Siggelkow, 2007; Bell et al., 2022).

The chosen serial acquirer, MedCo, was selected as a suitable case company for two main reasons. First, MedCo is a publicly listed, Sweden-headquartered firm, which ensures both data accessibility and in-person interview opportunities, as well as strong geographical relevance for this study. Second, the company has completed more than 10 acquisitions between 2022 and

2024, demonstrating an active, continuous, serial acquisition strategy rather than occasional transactions.

3.2 Data Collection

The primary data for this study consisted of both online materials and interviews. Data collection began by drawing on publicly available sources, including company websites, annual reports, and other official documents (see Appendix 2). These materials were particularly useful for building an initial understanding of MedCo.

During our contact with MedCo, the Head of Communication provided us with access to internal documents, most notably *The MedCo Book* (2024), which outlined the company's vision, strategic priorities, management standards, and internal communication regarding group-level goals and values. This offered valuable insights into how MedCo articulates its corporate identity and MC principles, while also informing the development of the interview guide by providing familiarity with the company's operations and governance approach in advance. Consequently, this allowed the interviews to focus on issues directly related to the research question rather than on background information already covered by other sources, enabling more targeted and in-depth discussion of MCS in serial acquisition strategies.

Subsequently, a total of nine semi-structured interviews were conducted: seven internal interviews with executives from both MedCo and its portfolio companies, and two external interviews (see Appendix 1 and 3). Since the aim of this thesis is to understand how MCS are used to manage tensions in the post-acquisition phase, it was essential to capture perspectives from both sides of the organization.

To ensure relevant cases, the portfolio companies were selected in consultation with MedCo, based on accessibility and willingness to participate. Following these discussions, two anonymized portfolio companies were included in the study: MedCoMini A and MedCoMini B. Because MedCo was directly involved in the selection process, there is a potential risk of selection bias, as the chosen cases may reflect companies that are better integrated or more reputationally advantageous.

Within both MedCo and its portfolio companies, interviewees were selected based on their involvement in MCS and their relevance to core operational processes. In consultation with MedCo's Head of Communications, an interview plan was designed following a funnel

approach: beginning with MedCo's CEO and proceeding stepwise down through the organization. This structure ensured that insights from top management could be contextualized with more operational perspectives from managers closer to the day-to-day use of MCS. After the initial interviews with top executives, snowball sampling was used to broaden the data pool, in which initial contacts referred us to additional relevant participants, including MedCo's Head of Post-Merger-Integration (PMI) (Bell et al., 2022). Other employees with less impact and connection with MCS, such as newly hired staff, were not included, as their input would likely provide limited insights for this study.

All interviews followed a semi-structured format, a method particularly effective at capturing perceptions and well-suited to exploring how MCS are used in the context of serial acquirers (Kvale & Brinkmann, 2009). An interview guide, based on Malmi and Brown's (2008) framework, served as the ground for our questions and was adapted depending on whether the interviewee represented MedCo or one of the two portfolio companies (see Appendix 4). For MedCo interviewees, questions focused on the design and application of control systems, whereas portfolio company respondents were asked about their experiences with these systems in practice. The semi-structured format was chosen because it provides both structure and flexibility, allowing respondents to elaborate on what they found most relevant. Open-ended questions and follow-ups encouraged deeper insights and uncovered hidden dimensions of organizational behavior, such as underlying tensions. Taken together**,** this aimed to, as far as possible, fill the identified research gap.

Following the initial interviews with MedCo executives, we relied on snowball sampling to identify additional participants. Because snowball sampling depends on referrals within existing networks, it risks bias by overrepresenting participants with similar perspectives or professional affiliations (Bell et al., 2022). To mitigate this, we deliberately sought to balance internal and external viewpoints. We therefore contacted an external expert (ExpertOne), a portfolio manager at an investment firm specializing in serial acquirers, whose insights provided a broader contextual understanding of the Nordic serial acquirer landscape and an independent perspective on MedCo. In addition, we interviewed AnalystOne from BankOne, who further contributed external views on MedCo. Together, these interviews deepened our contextual understanding and strengthened the empirical foundation of the study (see Appendix 1).

3.3 Data Analysis

A majority of the interviews were conducted in Swedish, after which they were manually transcribed and translated into English. All interviews were audio-recorded to ensure accuracy, and the transcripts were reviewed and corrected to enhance reliability. Immediately following each interview, we held a short debrief to summarize key points and highlight particularly relevant themes. In line with the principle of selective transcription (Bell et al., 2022), only material judged as pertinent to the research focus was transcribed, ensuring that the dataset remained closely aligned with the research question.

The analysis was conducted abductively, meaning that we iterated between the empirical material and the theoretical framework throughout the process. As we developed the analysis, all audio recordings were revisited to ensure that no relevant insights had been overlooked. This continuous engagement with the data allowed our understanding to evolve and remain firmly anchored in the study's theoretical foundations.

To structure the material, we applied thematic coding. Interview responses and selected quotations were organized into two main categories, each with subcategories: (1) background and contextual information, and (2) material related to the use of MCS. The latter was first organized according to Malmi and Brown's (2008) MCS framework and subsequently analyzed through the paradox lens of Smith and Lewis (2011), creating a clear connection between the empirical findings and the theoretical framework.

4. Empirical Findings

In this section, we present our empirical findings structured according to Malmi and Brown's (2008) package, as outlined in Section 2.1.1. Before doing so, we first provide contextual background to facilitate understanding.

4.1 Background and contextual information

> Many successful acquisition-driven compounders operate with a decentralized organizational setup and retain customer relationships and daily business decisions at the subsidiary level, letting acquired companies preserve their entrepreneurial independence. Common for the best acquisition-driven compounders is that they have slim HQs, whose focus primarily is dedicated to capital allocation and close follow-up of financial performance.[6] (REQ Capital, 2025, p. 25)

These words capture the essence of how a distinct group of Nordic serial acquirers operate and have built some of the region's most successful companies (REQ Capital, 2025). In practice, the serial acquirer's headquarters functions more as an allocator and monitor than an operator. It sets financial expectations, follows up on performance, and disciplines capital deployment, while operational decision-making remains within the portfolio companies (REQ Capital, 2025). This "tight-loose" control model, tight in financial and strategic oversight but loose in day-to-day operations, allows local entrepreneurship to remain intact while ensuring accountability and alignment with group objectives (REQ Capital, 2025). Serial acquirers' frequent acquisition activity enables them to build structured, repeatable routines and integration capabilities. As a result, they can consistently manage and align new acquisitions, while maintaining operational independence across their expanding portfolio (REQ Capital, 2025; Laamanen and Keil, 2008; Zollo & Singh, 2004).

However, scaling this model is not straightforward. As the portfolio expands across geographies, customer segments, and regulatory environments, organizational complexity

[6] Compounder is another word for serial acquirer.

increases, cross-unit interdependencies intensify, and integration risks accumulate (Zollo & Singh, 2004; Haspeslagh & Jemison, 1991).

MedCo fits the typical organizational setup of Nordic serial acquirers. Founded two decades ago as a Nordic healthcare group, MedCo has since grown into one of the largest serial acquirers in the European healthcare industry and was listed on the Stockholm Stock Exchange in 2025. The group is organized into three business areas (North, Central, and West) and oversees a portfolio of roughly 45 companies across 17 countries. MedCo primarily targets small to medium-sized, often family-owned firms. Following an acquisition, portfolio companies usually retain their brand, customer base, and local management, with strategic and operational decisions remaining at the local level, reflecting the view that healthcare markets differ across countries and are therefore best run locally. Moreover, according to MedCo, integration is not "one size fits all" (MedCo Book, 2024): some companies remain fully stand-alone within the group, while others are merged into an existing MedCo platform where there are clear synergies. To coordinate their expanding portfolio, MedCo relies in part on the *MedCo Management Standard*, which explains what is expected of each portfolio company and how those expectations are followed up. To reinforce this control model, MedCo also supports portfolio companies' management through two additional group-level mechanisms: the *MedCo Business School* and the *Centers of Excellence*. MedCo combines decentralized decision-making with group-wide controls to balance local autonomy with shared accountability and performance oversight, as expressed internally: "Freedom and decentralization also come with responsibility and accountability. Responsibility without accountability would not work" (MedCo Book, 2024).

In this study, MedCoMini A and MedCoMini B constitute the two portfolio companies from which interview participants were drawn. As MedCo's earliest acquisitions, these portfolio companies have long-standing experience with the group's MCS and have observed how these systems have evolved over time.

4.2 MedCo's Use of Management Control Systems

Serial acquirers' use of MCS is inherently complex and continuously evolving. As MedCo notes in their internal book, "as you read this, we are well into our 3rd or 4th revision of our governance model" (MedCo Book, 2024). Simplifying this reality into a single, unified understanding of control would overlook the diversity of perspectives and tensions that

characterize MCS. Within MedCo's MCS package, different control elements carry varying weights and degrees of autonomy, interacting to form a system that must be constantly balanced rather than uniformly applied. Nevertheless, our findings reveal recurring patterns across MedCo's portfolio companies, indicating that certain combinations of control elements tend to dominate throughout the group. These patterns reflect how serial acquirers navigate enduring paradoxes between stability and flexibility, integration and autonomy, and short-term efficiency and long-term learning. In MedCo's case, this balance is embodied in its "85–15 rule," which allocates 85% local autonomy and 15% centralized MedCo guidance (The MedCo Book, 2024).

Although this thesis focuses on how serial acquirers use MCS in the post-acquisition phase, it became evident during the interviews that several elements of MedCo's control system begin before closing, such as assessing cultural fit and conducting planning activities. Nonetheless, we want to clarify that the scope of this thesis is limited to the post-acquisition phase.

4.2.1 Planning Controls

Planning controls at MedCo serve as a key mechanism for balancing decentralized entrepreneurship with group-level coherence. Managers consistently emphasized that while portfolio companies retain extensive local autonomy, this autonomy operates within a structured framework of shared goals and standards, as becoming a part of MedCo "also means that we are linked to each other, we depend on each other" (The MedCo Book, 2024).

It is during the post-acquisition phase that the management team of the newly acquired company is introduced to MedCo's governance model. A structured 100-day plan and a one-year onboarding process are then developed to ensure alignment with the group-wide principles set out in the MedCo Management Standard. These plans not only ensure compliance but also clarify the rationale for setting targets. It outlines expectations across financial reporting, IT security, ESG, and ethics, guiding both short-term integration and long-term strategic alignment.[7] Performance targets differ between the first twelve months after acquisition and the period that follows, reflecting the need for a gradual integration process. Several executives emphasized the

[7] ESG stands for environmental, social, and governance, and is a holistic framework that measures the sustainable and ethical behaviour of a business.

importance of this approach: “You motivate them by breaking things down, making it more comprehensive and easier to do” (MD, MedCoMini B).

As part of this gradual integration, and consistent with the 85–15 rule, “the remaining 15% are linked to MedCo Management Standard, MedCo Business School and the Centers of Excellence…focused on achieving scale benefits, knowledge sharing, compliance and synergies” (The MedCo Book, 2024). This serves as a framework that the portfolio companies are expected to follow and apply in their local operations.

Strategic planning remains a hybrid process that blends top-down direction with local insights and responsibility. As MD of MedCoMini A Denmark put it:

> “It is always a discussion, but it always ends in an agreement; it never ends with MedCo dictating.”

However, the MedCo management sets some non-negotiable financial and performance targets:

> “The 10% EBITA margin goal is a central KPI,” the CEO noted.

However, it is the portfolio companies themselves that are responsible for developing the business plans and the actions required to achieve these goals. As the MD of MedCoMini B explained:

> “Our plan should show how we can reach the 10% EBITA margin every year, and then it is up to us to translate that into a framework that works locally.”

This interplay between central targets and local planning processes enables both alignment and adaptability across diverse business units. However, the CEO was clear, it is not a one-size-fits-all:

> “Of course…If we acquire a company with a 17% EBITA margin, we do not say that 10% is acceptable. We want all companies to keep improving. So, regardless of the financial performance you had when we acquired you, it should develop positively, with higher revenue, better results, lower working capital, and higher margins.”

The planning process is also differentiated by factors such as company maturity and integration level. Smaller or newly acquired firms tend to experience tighter central oversight, whereas more established companies enjoy greater strategic independence. Yet even for smaller or newly acquired companies, the planning process provides a platform for structured dialogue rather than unilateral enforcement:

> "We set financial goals at the group level…but we anchor them through discussion. It is a dialogue," explained the Head of Legal.

This illustrates how planning controls simultaneously guide, coordinate, and engage subsidiaries, sustaining both accountability and commitment. Yet some targets are set locally rather than centrally:

> "We [MedCo] also ask that each of you [portfolio companies] set goals and milestones and ask for help when you need it" (The MedCo Book, 2024).

4.2.2 Cybernetic Controls

Cybernetic controls at MedCo translate strategy into disciplined follow-through via a tight monthly feedback loop of targets, measurement, variance analysis, and corrective action when needed, as reflected in the statement: "Strategy is important. Execution is everything" (The MedCo Book, 2024).

Core targets are set centrally, with managers repeatedly emphasizing a 10% EBITA margin and an EBITA-to-Net Working Capital benchmark applied across all portfolio companies. These metrics are described as MedCo's "unified way of measuring and comparing what financial success looks like," often referred to internally as "religion or simply the truth" (CEO; The MedCo Book, 2024). Alongside these financial KPIs, portfolio companies are also evaluated on ESG and other non-financial metrics, creating a hybrid performance-measurement system. While most KPIs apply to all portfolio companies, some, such as Net Promoter Score (NPS), are defined locally to reflect market conditions and company needs.

These group KPIs and benchmarking ratios are paired with frequent reviews that keep portfolio companies closely aligned with progress versus plan. As the Head of PMI explained, these reviews are the "first level of check-in of whether they are at target or beyond target,"

conducted jointly by business-area directors and controllers. The process is embedded in a clear escalation chain. The CEO described it as follows:

> At the company level, the CEO and management team take the first action if they fail to reach their goals. Then the country managers and regional directors step in to support. It only reaches us at the group level if local and regional actions are not enough. We do not send in a central team to 'fix' it, but we follow every company's results monthly, and if someone starts to fall behind, we ask questions. If the answers and plans are sound, they get time to correct them; if it is sloppiness, we intervene harder, and in rare cases, that means replacing management.

This structure reinforces the 85–15 principle in practice: accountability starts locally, with escalation only when necessary, ensuring both discipline and respect for autonomy. This disciplined structure is balanced by a strong culture of open dialogue. As the MD of MedCoMini A Sweden noted:

> The strength of the MCS is directly correlated with how openly one can discuss it…it is very open to disagree [at MedCo], and that is important. Nothing works if everyone just nods along…We absolutely do not always agree. But so far, I think the dialogue around it has always been very good. And very often MedCo ends up being right, which would be strange otherwise. But they do listen, and they have definitely made changes on their side as well.

This openness enables continuous calibration of targets and expectations. As the same manager explained:

> "Of course, sometimes the demands are wrongly set. Sometimes they are set too high. It is a continual development. We learn together" (MD, MedCoMini A Sweden).

Together, these practices help keep the system both firm and flexible. Performance information is shared transparently through dashboards and public displays at internal events such as MedCo Business School and a yearly summit. This transparency "puts pressure on the companies that are below the line," the Head of PMI noted, while rankings are used "on the positive and the

competitive spirit," celebrating achievements rather than shaming underperformers. As the CEO underscored, at MedCo, "there is an internal competitive spirit, but it is driven more by pride and fairness than by fear." When results fall short, variance analysis is framed as problem-solving rather than blame. The MD of MedCoMini A Denmark described the approach:

> "It is about understanding why we are underperforming…what we can do and how we can improve and setting up an improvement plan."

Still, corrective action remains decentralized. As noted by the Head of PMI, "if they are not making the KPIs, then it is still local businesses which should come up with a plan." This plan must subsequently be presented to MedCo for review, with business-area leadership offering support when needed. If results "take too long" to recover, central oversight increases, "then it is more than 15% that kicks in" (Head of PMI). In extreme or persistent cases, leadership changes can follow, though managers stressed this is infrequent and contingent on context (e.g., market shocks versus managerial sloppiness).

4.2.3 Reward and Compensation Controls

Reward and compensation controls at MedCo are built around a clear financial structure. The system combines locally designed short-term incentives (STIs) with group-wide long-term incentive programs (LTIs), to align individual effort with MedCo's strategic priorities. As the CEO explained:

> "Compensation for top managers is partly a fixed salary and partly variable, linked to results and ESG measures…and on a three-year horizon we have long-term incentive programs that allow managers to share in the company's value."

Financial incentives in MedCo help signal priorities, clarify expectations, and ensure fairness across the group. However, interviewees consistently stressed that monetary rewards play a supporting rather than a central role. As the CEO noted, "we lie somewhere in the middle…we have financial incentives, but the most important thing is that we do right for the customer," reflecting Bonner and Sprinkle's (2002) argument that financial incentives may direct effort, but at MedCo, they do rarely sustain it. This sentiment was echoed across interviews:

> "I do not feel that the bonus is actually the incentive for doing what you do…people are driven because they are commercial" (MD, MedCoMini A Denmark).

The MD of MedCoMini B similarly characterized financial rewards as "a hygiene factor…it is more about the other elements, it is about the culture." Another interviewee stressed that bonuses matter primarily when they fail to materialize, but are not what motivates day-to-day performance:

> Of course, it is really boring when you do not get them, that I can say. But you do not do a better job because of them. You want to perform well because it is fun to perform. It is that simple. You want to feel that you are good at what you do, and you want others to see that you are good. (MD, MedCoMini A Sweden)

Rather than relying solely on monetary incentives, MedCo places strong emphasis on symbolic and collective forms of recognition. Annual events, group conferences, and award ceremonies are central mechanisms for acknowledging both company-level results and individual contributions. As the MD of MedCoMini B described:

> "We bring the management teams of all our companies together…and we have awards for individual companies. That motivates [portfolio companies] a lot and creates pride to be part of MedCo."

This pride translates into tangible effects at the subsidiary level, as "people feel proud of themselves and their company," the MD of MedCoMini A Denmark explained while holding the award and recounting how the team reacted to receiving it. The MD further emphasized that recognition also operates at the individual level, noting that "some employees…get to other positions…MedCo always recognizes people and gives them the right award." The CEO similarly highlighted how individual contributions are acknowledged:

> "At our larger conferences, we highlight individuals who have done something remarkable…We want to find those who are good examples, who live by our values and do a great job."

Through these symbolic and collective practices, motivation becomes anchored in identification with the group rather than purely financial gain, reinforcing shared purpose and sustaining performance in a decentralized structure.

4.2.4 Administrative Controls

Administrative controls at MedCo provide the structural backbone that makes decentralization workable in a fast, acquisition-driven environment. Consistent with Malmi and Brown's (2008) framework, they rest on organizational design, governance structures, and policies and procedures that outline who decides, reports, and is accountable for what. Managers consistently described these controls as intentional design choices to preserve entrepreneurship while clarifying boundaries.

The most visible expression of MedCo's design logic is the 85–15 principle, which allocates the majority of decision rights to portfolio companies while reserving a defined minority of non-negotiable areas for the group.

> "We [portfolio companies] remain fully accountable for everything we do and to ensure we comply with group values and policies, but we are also given significant responsibility and freedom to find our optimal way forward" (The MedCo Book, 2024).

According to the MD of MedCoMini A Denmark, this principle works as, "there is a really high level of trust…They [MedCo] have a large part of trust going into the people and the market, where they have the people responsible." However, leaders acknowledged that holding this balance is not always an easy art:

> "The 85–15…is very nice, but sometimes it is challenging…When can you really push and force certain decisions to the local companies?" (Head of PMI)

Views on the actual proportion also varied among managers. One MD suggested that the group influence is even smaller than stated:

> "I would almost say that it is less than 15%" (MD, Sweden MedCoMini A).

In contrast, another expressed that the group sometimes exerts a slightly stronger hand:

"I would also say it is more like perhaps 80-20" (MD, Denmark MedCoMiniA).

The principle itself evolves with organizational growth, as the system is "a living animal…and not set in stone," (Head of PMI) allowing the structure to adapt without eroding decentralization.

MedCo's governance reinforces local responsibility. The group typically holds board seats in portfolio companies, ensuring visibility without day-to-day interference. Communication becomes more structured as the organization grows, but governance remains oriented toward support rather than control. As MD of MedCoMini B explained:

> "The starting point is always that companies have the opportunity to shape things within the requirements. But if it is not working…then you [MedCo] gradually step in a bit and make changes."

The MD added:

> "The changes we did in MedCoMini B in the management—that was not from the top or MedCo; that came from the inside, adapting to what was necessary for MedCoMini B."

This reflects a governance philosophy in which escalation is contextual and proportionate, intervening only when local efforts are insufficient.

Group expectations are codified in the MedCo Management Standard, a set of non-negotiable policies covering finance, IT security, ESG, and the Code of Conduct. However, managers stressed that uniformity is neither realistic nor desirable. As the Head of Legal explained:

> Some chapters carry more weight; IT and finance are usually the heavy ones. For smaller companies, it can feel like almost 100% of us [MedCo]. For larger firms, it is not seen as interference at all. Overall, we try to intervene as little as possible, keeping it to the bare minimum.

However, it is within these policies and procedures that the main challenge emerges. Interviewees across the organization agreed that the difficulty lies in ensuring compliance with group standards without overwhelming the companies:

> "The hardest part is getting the portfolio companies to follow our management standard" (Member of the Board).

Another interviewee echoed this concern:

> "The hardest part is not to drown them in control and compliance…hold it to 85–15…set a good system where everyone knows what to do…without breaking the decentralized part" (Head of Legal).

For smaller firms in particular, limited capacity makes compliance especially demanding. As the MD of MedCoMini A Denmark explained, "many of these companies are 20, 30, 50 people, and for them setting up these kinds of control systems is super difficult." This underscores the need for greater implementation support. The MD also noted that "support is something I think MedCo should do more."

At the same time, several interviewees highlighted that MedCo does provide a range of support mechanisms to help companies meet these requirements. Rather than relying on heavy central teams, "the group supports portfolio companies through education, practical guidance, and peer-based networks" (MedCo Book, 2024). MedCo Business School, which is mandatory for all management teams, introduces core values, governance expectations, and key compliance areas, including the Code of Conduct, insider rules, ESG, and IT integrity. It also helps standardize managerial language for reporting and creates internal networks where companies can communicate and inspire one another. Similarly, MedCo's Centers of Excellence offer cross-unit coordination and knowledge sharing on a voluntary, network-driven model rather than a top-down shared-services structure, retaining local choice while pooling scale benefits.

4.2.5 Cultural Controls

At MedCo, culture functions as a key integrative control mechanism, not merely as a consequence of structure, but as an intentional system of shared values, beliefs, and behavioral norms. After acquisition, cultural controls act through ongoing interactions and shared practices, enabling newly acquired companies to integrate into the trust-based decentralized model without undermining their local identity. At the same time, MedCo does not pursue cultural uniformity; local cultures are respected, as long as MedCo's core principles, ethics, compliance, and fairness are upheld. As the CEO put it:

> "If someone behaves badly or crosses ethical lines, one time maybe, but two times, then they are out."

The MedCo culture is anchored in a shared belief system emphasizing customer focus, accountability, and continuous improvement. As the MD for MedCoMini B explained:

> "We want to make sure that it is always the customer first…and how we can make things better every day."

These values are codified and communicated through the MedCo Management Standard and introduced during onboarding programs such as MedCo Business School, where new management teams learn "the philosophy, strategy, and way of working" (Head of PMI). Through these belief systems, value alignment becomes both a selection mechanism and an ongoing process of reinforcement. Managers described culture as a living, evolving entity:

> "MedCoMini B influenced the culture of MedCo, and vice versa…it evolves" (MD, MedCoMini B).

This bidirectional exchange ensures that MedCo's cultural controls remain adaptive rather than static or overly prescriptive. Beyond formal statements, cohesion is achieved through relational networks, shared rituals, and peer interaction. The MedCo Business School and Centers of Excellence act as clan-like spaces where managers "meet each other, share experiences, and connect" (The MedCo Book, 2024). Although participation is voluntary, interviewees noted that "we [MedCo] have made it so attractive that you would be stupid not to step into it, because you want to learn" (MD, MedCoMini B). This community-based approach fosters identification with the group and social learning across portfolio companies. Regular conferences, leadership summits, and peer networks also reinforce norms of collaboration and mutual support, building a sense of belonging to a "bigger group, which is MedCo" (MD, MedCoMini B).

Symbolism reinforces the collective identity while preserving local autonomy. The MedCo name itself is treated as a unifying symbol; while certain portfolio companies retain their own local brands where customer relations demand it, as one executive noted, "the only brand commitment at group level is the MedCo name" (Head of Legal). New companies are formally welcomed "to the MedCo family" during onboarding ceremonies that introduce the group's

purpose and values (Head of PMI). These rituals signal belonging and legitimacy, helping to transform newly acquired entrepreneurs into members of a wider collective.

Moreover, as MedCo's CEO pointed out:

> "I would not say that there is a 'we' and 'them,' rather we are all in the same team."

This was shared with the MD of MedCoMini A Denmark, who said, "MedCo is our owner…There is no opposition; it is just that we need to go in the right direction."

4.2.6 Empirical Summary

Our empirics show that MedCo's MCS package reshapes organizational routines by aligning highly autonomous subsidiaries around shared financial expectations, common governance standards, and a unified cultural foundation.

Planning and cybernetic controls strengthen discipline and predictability across the portfolio, encouraging local managers to translate group-wide targets into their own operational practices and strategies. At the same time, administrative controls, especially the evolving 85–15 design, have clarified decision rights without eliminating entrepreneurial freedom. However, the most substantial behavioral integration appears to stem from cultural and symbolic controls: shared values, peer networks, and group rituals have fostered identification with the MedCo "family," often outweighing monetary incentives as drivers of motivation. Still, cultural controls do not fully homogenize routines; instead, they create a boundary within which local variation persists, provided core principles are respected. Overall, MedCo's MCS does not replace local autonomy but embeds it within a coherent system of expectations, trust, and shared identity (see Appendix 5).

5. Analysis

Building on the empirics structured according to Malmi and Brown's (2008) MCS framework, this section deepens the discussion by highlighting the thesis's contribution and analyzing MedCo's use of MCS in the post-acquisition phase through a paradox perspective (Smith and Lewis, 2011). Our findings indicate that the organizing paradox functions as an overarching tension that permeates MedCo's operating model. As such, the paradoxes of belonging, learning, and performing do not appear in isolation. Rather, they are embedded in, and shaped by, the organizing paradox. Identity formation, knowledge development, and performance ambition all evolve within this underlying tension, which MedCo has intentionally built into its business model. In this sense, the organizing paradox does not compete with the other paradoxes; it enables and structures them.

5.1 Organizing Paradox

Previous research in MCS (Otley, 2016; Davila, 2005) and M&A (Strauss et al., 2025; Sandelin, 2008) emphasizes the need for organizations to adapt their control systems as they grow and evolve. Our findings from MedCo similarly highlight the importance of continuously adapting control practices as the group evolves.

In contrast to prior studies, in which adaptation follows organizational change, serial acquirers embed adaptation into their operating model. Rather than adjusting controls as the organization evolves, MedCo's MCS evolves as it is continuously balancing an organizing paradox: the need to preserve decentralized autonomy while simultaneously maintaining group-level control. This paradox is not viewed as a temporary challenge to be resolved, but reflects a conscious design choice, a permanent operating logic that defines how MCS is used across the group. Accordingly, our findings suggest that in serial-acquisition contexts, it is paradoxical management, rather than reactive adjustment, that drives both control adaptation and organizational development.

Smith and Lewis (2011) describe the dynamics of organizing paradox as tensions that arise when leaders determine how an organization should operate, since "by defining how they are going to operate, they define how they are not going to operate" (p. 388). These tensions emerge between flexibility and control, or between centralization and decentralization, reflecting

the dualities embedded in organizational design. The company's 85–15 rule institutionalizes the balance between group discipline and local freedom: portfolio companies are required to follow MedCo's Management Standard in specified areas while retaining substantial autonomy for local initiative and entrepreneurship. If control were fully centralized, it would stifle local ownership and innovation; if it were completely decentralized, it would erode comparability and strategic coherence. The MCS serves as a tool to keep this living organizing paradox model in balance.

5.2 Belonging Paradox

As the organizing paradox explains how the serial acquirer operates, it also raises questions of *who* operates within it. Smith and Lewis (2011) note that "responding to questions about who is going to do what highlights conflicting identities, roles, and values, creating belonging tensions" (p. 388). At MedCo, this tension appears in the expectation that portfolio companies retain their entrepreneurial identity while simultaneously adopting MedCo's values and shared culture. This dynamic reflects the balance between autonomy and cohesion noted in prior management accounting and M&A research, where fostering shared purpose and trust can support acceptance of new controls (Väisänen et al., 2021), and where culturally just systems help build identification and fairness perceptions (Cugueró-Escofet & Rosanas, 2013). MedCo manages belonging tensions by using cultural controls to foster identification with the group, while intentionally avoiding cultural uniformity by allowing local variation within shared core values. Where previous M&A research stresses risks of cultural conflict and identity loss in the post-acquisition phase (Larsson & Finkelstein, 1999), MedCo leverages belonging tensions productively. Our findings extend prior MCS and M&A research by showing that serial acquirers do not seek to eliminate identity differences; instead, they use cultural controls to harness these tensions as a deliberate mechanism for cohesion and local empowerment. Rituals, clan-like forums (e.g., Business School, annual summits), CEO messaging that highlights a shared identity, and cross-company learning platforms collectively transform identity plurality into a source of cohesion and shared belonging. This aligns with Strauss et al. (2025), who argue that paradoxical tensions in MCS can become constructive when they are acknowledged and worked with rather than overlooked.

At MedCo, the belonging tension is therefore not resolved but sustained: portfolio companies retain their distinct identities while simultaneously aligning with a shared MedCo

purpose. Through cultural controls (Malmi & Brown, 2008), the belonging tension becomes both a control mechanism and a cultural glue that supports decentralized autonomy within a common strategic direction, preventing MedCo from fully *growing apart*. This illustrates how cultural plurality and group unity can reinforce, rather than undermine one another, in serial acquisition contexts.

5.3 Learning Paradox

Although Smith and Lewis (2011) note that belonging is another dimension of these tensions, organizations must also navigate learning tensions in how they position themselves between "today and tomorrow" and between "looking forward and looking backward" (p. 388). These learning tensions directly shape how MCS are used over time.

Prior research on growing and innovative firms emphasizes how control systems evolve and formalize over time to support strategy and coordination (Otley, 2016; Sandelin, 2008; Davila, 2005). Our findings suggest that in serial acquirers, this development is marked by a learning paradox: formalization is needed to create coherence across portfolio companies, yet these same routines and standards must remain open to revision as new portfolio companies bring in different practices and experiences.

In MedCo, this is reflected in how the MedCo Management Standard, the 100-day plan, and the phased integration approach provide a shared, pre-set structure that is continually adapted through ongoing interaction with the portfolio companies. This shifts the implementation of MCS beyond a traditional top-down application and extends the conclusions of Davila (2005) and Sandelin (2008). Our findings reinforce that in serial acquirers, development is often bidirectional, as portfolio company feedback and responses also shape learning and system development at the group level. However, this bidirectionality is not absolute. The process does not always operate symmetrically, yet the high level of trust and positive interpersonal relationships between MedCo and its portfolio companies help ensure that the controls function effectively. In turn, our findings extend and connect prior research that emphasizes the importance of participative design for enabling controls (Cugueró-Escofet & Rosanas, 2013). Consistent with this, Väisänen et al. (2021) demonstrate that perceptions of enabling control can still arise even in the absence of such participation, provided that trust and positive interpersonal relationships are actively cultivated between acquirer and acquiree. By clearly explaining the

rationale behind new controls and engaging in ongoing dialogue, managers helped employees perceive formal systems not as "a sign of mistrust," but as supportive tools for coordination (Väisänen et al., 2021, p. 1334).

5.4 Performing Paradox

In line with Smith and Lewis' (2011) observation that "learning and performing spur tensions between building capabilities for the future while ensuring success in the present" (p. 384), these learning dynamics naturally spill over into performing tensions.

MedCo's target philosophy illustrates a clear performing paradox (Smith & Lewis, 2011): how to maintain strict financial discipline and regulatory compliance while sustaining local motivation. The company enforces clear, mandatory, and transparent financial and non-financial targets, reinforced through consistent communications (e.g., budgets, dashboards, and bonus systems) that explain the rationale behind them. To make the MCS work in this serial acquirer context, it became evident that simplicity and balance are two key success factors. This supports previous research, which highlights that performance-oriented control systems require a careful balance between discipline and empowerment (Strauss et al, 2025; Mundy, 2011; Sandelin, 2008).

However, it may be more complicated than that. Our findings add another layer of complexity by showing that the core tension lies not only in balancing competing success criteria but in calibrating the intensity of performance pressure. Leaders must determine how far financial discipline can be pushed before it begins to undermine local motivation and pride. This observation also resonates with Cugueró-Escofet and Rosanas (2013), who argue that effective control systems require both a just design and fair managerial use to sustain cooperation. MedCo's transparent goal-setting and open dialogue around results help transform potentially coercive targets into fair and motivating benchmarks.

6. Conclusion

The research question we attempted to answer in this thesis is:

> How are management control systems used by serial acquirers to manage paradoxical tensions in the post-acquisition phase?

In answering this question and outlining the thesis's key contributions, it should first and foremost be noted that the MCS of serial acquirers is complex. Using a micro-meso lens, our thesis captures how this complexity plays out in practice across the group. Therefore, it would be overly simplistic to generalize their use across all acquirers. However, as this paper shows, by examining a serial acquirer through Malmi and Brown's (2008) MCS package and Smith and Lewis's (2011) theory as an analytical tool, several important insights emerged.

The first key finding of this thesis is that serial acquirers do not attempt to eliminate the paradoxical tensions (Strauss et al, 2025). Rather, their MCS explicitly embrace these tensions and are designed to continually balance the organizing paradox. This balance functions as an overarching logic shaping how belonging, learning, and performing paradoxes are enacted in the system, enabling the tensions to become productive rather than disruptive. This is achieved through the ongoing use and adaptation of MCS in an organization that is constantly growing and changing (Väisänen et al., 2021; Mundy, 2010; Sandelin, 2008; Davila, 2005). MedCo shows that this balancing act is not a temporary integration challenge but a permanent feature of how serial acquirers operate. This becomes evident in the post-acquisition phase, as newly acquired companies are introduced to the group, planning routines, performance measures, and cultural practices are adjusted and applied in small, ongoing steps, making control and belonging tensions continuous processes rather than static designs.

The second finding relates to the learning paradox and is captured through the feature of bidirectionality. While the serial acquirer sets expectations and provides structure, it simultaneously learns from the portfolio companies and incorporates their learnings into the wider MCS. This bidirectional influence helps keep the MCS relevant, practical, and responsive across diverse local realities (extending prior work, Väisänen et al., 2021; Otley, 2016).

The third finding, identified through the performing paradox, shows that the MCS must remain as simple as possible for this tension to be sustainable in practice (a point less

emphasized in prior research, Cugueró-Escofet & Rosanas, 2013; Malmi & Brown, 2008). Under persistent tension between financial discipline and local motivation, interviewees emphasized that control systems worked best when kept simple. In practice, this was expressed through a limited set of KPIs, clear non-negotiables, and predictable routines.

Together, these findings show that serial acquirers use MCS as dynamic mechanisms to sustain and balance paradoxical tensions in the post-acquisition phase. They do so by designing control systems that embrace, rather than eliminate, tensions, supported by features such as bidirectionality and simplicity that enable continuous adaptation across the group.

6.1 Limitations and Future Research

An important limitation of this study is the extent of the data collection. Although a larger dataset could have enhanced the validity of the findings, this limitation was acknowledged throughout the analysis, and the impact was mitigated through careful interpretation of the data. Throughout the study, conscious efforts were made to reflect on and mitigate subjective bias in data collection, interpretation, and analysis.

Expanding the scope to additional portfolio companies, as well as interviewing employees more deeply involved in day-to-day control use, would likely have enriched the analysis. However, such an extension would have exceeded the practical limits of this thesis, both in terms of scope and access. In particular, access constraints limited the ability to expand the dataset, as scheduling additional interviews with MedCo and its portfolio companies proved difficult given their limited availability.

Concerning the orientation of future research, and given the limitations noted above, several directions emerge. First, future studies could include a larger number of portfolio companies to provide a more differentiated empirical base, particularly by incorporating firms acquired more recently. It would likewise be valuable to widen the interview scope to operational employees, both within MedCo and across its portfolio companies, who engage most directly with the day-to-day use of MCS. Exploring these perspectives would offer deeper insight into how the paradoxical tensions are used in practice, how routines develop over time, and whether the simplicity of the controls, identified in this thesis as a central enabler, is experienced consistently across different organizational levels.

Second, our findings indicate that the relationship between the serial acquirer and its portfolio companies is bidirectional and grounded in trust. Future research could therefore examine this reciprocal influence more explicitly by analyzing the conditions under which portfolio companies shape the serial acquirer's MCS, the types of practices and routines that become integrated at the group level, and how power dynamics affect what becomes institutionalized. Such research would advance understanding of cross-boundary learning and the interactive development of MCS.

Third, our study suggests that the pre-acquisition phase plays a meaningful role in shaping the use of MCS in serial acquirers. This connection offers a promising area for further examination, particularly regarding how early cultural assessments, expectations, and initial interactions influence control design and integration dynamics.

Ultimately, the paradox of "pulling together while growing apart" highlights the need for future research to examine how such enduring paradoxical tensions dynamically shape control and coordination as serial acquirers continue to grow.

7. References

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8. Appendix

8.1 Appendix 1: Interview Details

Interview	Company	Role	Location	Length	Date
1	MedCo	CEO	In-person	47 min	20-10-2025
2	MedCo	Head of Legal	In-person	51 min	20-10-2025
3	MedCo	Head of PMI	Microsoft teams	43 min	23-10-2025
4	MedCo	Member of Board	Microsoft teams	50 min	26-10-2025
5	MedCoMini A	MD, Denmark	Microsoft teams	37 min	06-11-2025
6	MedCoMini A	MD, Sweden	Microsoft teams	49 min	10-11-2025
7	MedCoMini B	MD	Microsoft teams	53 min	23-10-2025
8	BankOne	AnalystOne	Microsoft teams	34 min	17-10-2025
9	FundOne	ExpertOne	In-person	46 min	19-09-2025

8.2 Appendix 2: Overview of Internal and External Archival Documents Used for Data Analysis

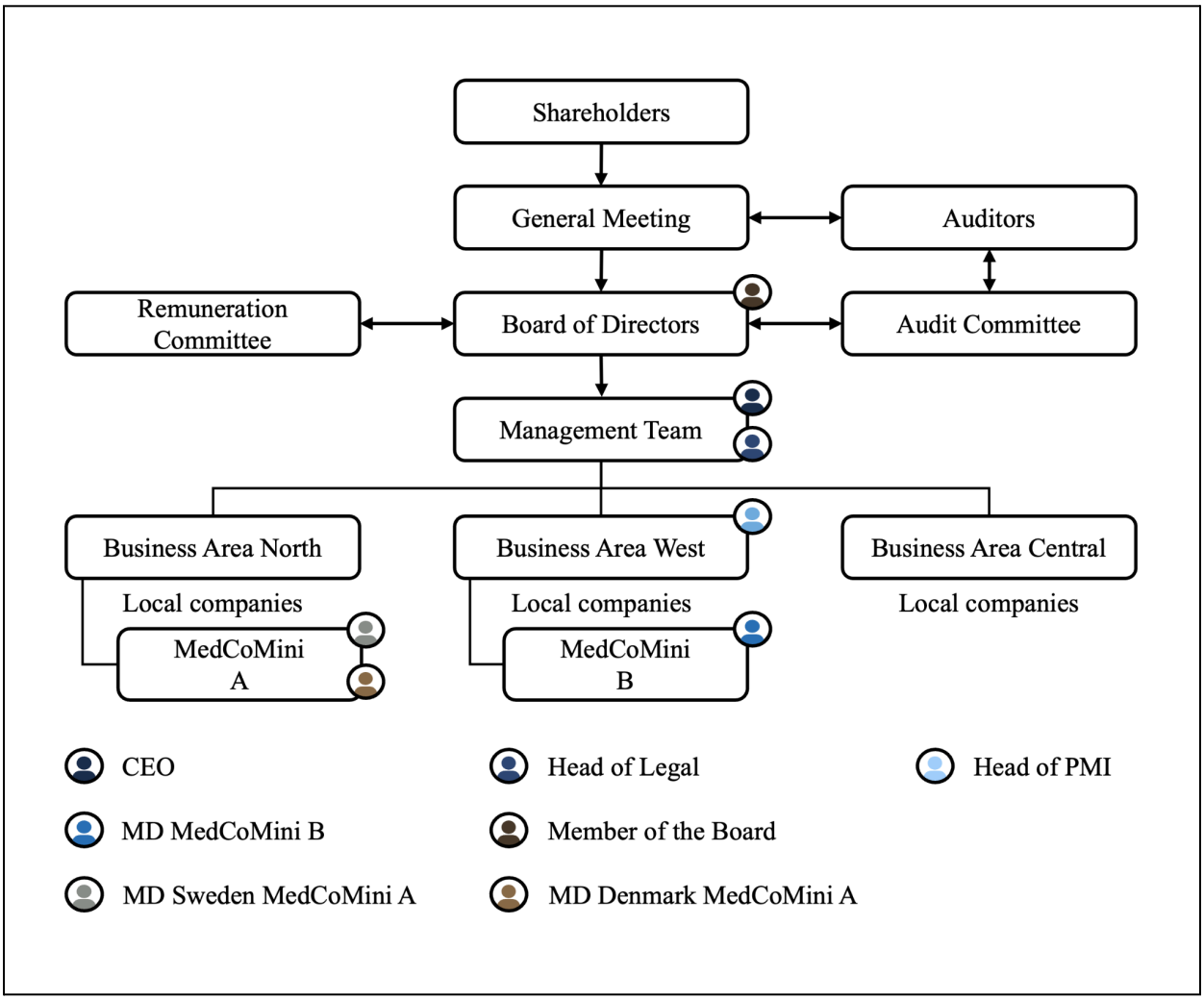
Internal:

- The MedCo Book
- The MedCo Management Standard
- KPI reports
- Presentations about performance measurements
- Follow-up emails after interviews

External:

- Annual report 2024
- REQ Capital 2025
- Sustainability report 2024
- Mission statements
- Organizational charts
- Information from MedCo and portfolio company websites

8.3 Appendix 3: Organizational Structure and Interview-reach within MedCo



8.4 Appendix 4: Extract from Interview Guides

Introduction (5–7 minutes)

- Could you briefly describe your background and your current role?
- How would you describe the role of management control within MedCo?
- On the website it says that MedCo supports its portfolio companies with "being a close, reliable, and high-quality partner." What does this mean in practice?

1. Planning Controls (Approx. 10 minutes)

- How involved is MedCo in formulating the strategy of its portfolio companies?
- What does the initial post-acquisition planning look like (e.g., short-term targets)?
- Are planning processes standardized across companies, or do they vary?
- How are performance targets and goals set? (e.g., negotiated or top-down)
- How is management at the company level involved in shaping plans and setting targets?

2. Cybernetic Controls (Approx. 10 minutes)

- How is performance monitored and evaluated across the group?
- Are there benchmarking or ranking practices? If so, how are they used?
- What happens when a company performs above or below target?
- How is performance feedback communicated, and how is variance discussed?

3. Reward and Compensation Controls (Approx. 10 minutes)

- What types of incentive systems (financial or non-financial) are used within the group?
- To what extent are incentives linked to performance targets?
- Have these incentive structures changed following the acquisition?
- Beyond financial rewards, how is good performance recognized or encouraged?

4. Administrative Controls (Approx. 10 minutes)

- How much organizational structure is influenced or changed after an acquisition?
- How are new policies or procedures introduced and implemented?
- How do coordination mechanisms such as internal networks, group meetings, or cross-company forums function?
- Who holds responsibility and accountability toward the group, and how is this formalized?

5. Cultural Controls (Approx. 10 minutes)

- How would you describe the cultural integration process following an acquisition?
- To what extent can companies maintain their existing identity and values?
- How are core values, ethical, or sustainability principles communicated and reinforced?
- What role do training programs, onboarding sessions, or leadership events play?
- Are there symbolic practices that help create cohesion or a sense of belonging?

Closing Questions (3 minutes)

- What is the most challenging aspect of using MCS within the MedCo group?
- If you could change one aspect of how MedCo uses MCS, what would it be?

8.5 Appendix 5: MedCo's Controls in the MCS package

Planning controls	**Long-range planning and action planning** • Structured onboarding (100-day plan and 1-year program) • Group-wide targets complemented by locally developed business plans • Hybrid, dialogue-based planning with targets tailored to maturity and integration level, guided by the MedCo Management Standard
Cybernetic controls	**Budgets and financial measurement systems** • Monthly reporting and KPI tracking • Core financial KPIs: EBITA %, EBITA/NWC • Hybrid KPIs: ESG and selected non-financial • Local definition of certain KPIs (e.g., NPS) **Non-financial measurement systems** • Monthly performance reviews with escalation chain • Transparent dashboards and internal benchmarking • Local corrective action first, group intervention only if necessary
Reward and compensations controls	• Combination of fixed salary (STI & LTI) linked to hybrid KPIs • Monetary incentives considered supportive, not primary motivators • Recognition through annual awards and summits • Career opportunities and internal mobility as non-financial rewards
Administrative controls	**Governance structures** • 85–15 principle • MedCo-appointed board representation in portfolio companies • Escalation only when local responses are insufficient • Governance adapts to company size and maturity **Policies and procedures** • MedCo: Management Standard, Centers of Excellence, Business School **Organization structure** • Decentralized structure with strong local accountability
Cultural controls	**Clans** • Peer networks via Business School and Centers of Excellence • Cultural evolution described as two-way **Values** • Shared values and locally respected cultures within ethical boundaries **Symbols** • "MedCo family" identity reinforced through onboarding rituals • Symbolic unity through MedCo naming and shared events

8.6 Appendix 6: Use of GenAI

AI-generated tools were used exclusively to support language clarity, such as grammar and spelling checks, throughout the writing of the thesis, in accordance with the AI usage guidelines set by the Stockholm School of Economics. This included ChatGPT 5.0 (developed by OpenAI, accessed at https://chat.openai.com).

This tool contributed to the quality of the thesis by improving linguistic clarity, supporting clearer academic writing, and enhancing traceability in the analysis process. It is important to note, however, that no AI-generated text was inserted into the thesis without careful consideration and editing.

Potential risks were identified. This included misinterpretation or unintended distortion when wording suggestions were accepted uncritically, transcription errors, and the risk of over-reliance on automated refinement. To mitigate these risks, all AI-generated outputs were critically reviewed, manually validated, and interpreted, and no AI was used to analyze our empirical findings. AI suggestions were treated as optional inputs rather than authoritative revisions, and every change applied was evaluated to ensure alignment with the intended meaning.

Overall, the use of AI provided useful support in streamlining the writing process but also underscored the importance of researcher judgement. A key insight from this experience is that while AI can enhance efficiency and clarity, academic quality depends on reflective, critical human oversight and responsibility for all analytical and interpretive decisions.