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Entering the Public Eye:

The Use of Management Control Systems Following a Public Listing

A qualitative case study on how an Initial Public Offering affects the design and use of MCS

Fannie Peatt
26030@student.hhs.se

Linnea Gruner
26087@student.hhs.se

Abstract

This thesis examines the underexplored intersection between Management Control Systems (MCS) and Initial Public Offerings (IPOs), focusing on how the transition from private to public ownership influences the design and use of MCS. Prior research has highlighted increased formalization and greater emphasis on financial metrics following public listings; however, less attention has been given to how MCS evolve as an integrated and dynamic system following an IPO. To address this gap, the thesis conducts a qualitative single-case study of a recently listed Nordic company in the industrial automotive industry, referred to as VehCo. The empirical material is structured and analyzed through Simons' (1995) Levers of Control framework and Mundy's (2010) extension on the enabling and controlling uses of MCS. Our findings show that: (1) public listings accelerate the formalization and restructuring of control systems beyond formal compliance requirements, (2) pre-existing controls shape how newly introduced controls are enacted, and can prevent heightened accountability pressures from producing a predominantly monitoring-oriented system, and (3) different IPO-imposed controls vary considerably in how much room they leave for managerial discretion, shaping the degree to which organizations can balance predictability with adaptability.

Keywords: Management Control Systems; Initial Public Offering; Levers of Control; Capital Market Pressures; Dual Role of Control

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1. Introduction

> "The initial reaction to going public was to become somewhat more closed… The new insider policies have made it difficult to determine what information can be communicated and what cannot, particularly since these situations are rarely entirely clear-cut." (Business Developer)

An Initial Public Offering (IPO) increases external visibility, subjecting firms to heightened disclosure requirements and scrutiny from public capital markets. At the same time, firms going public are pulled in two directions: while public capital markets require greater transparency, internal information flows often become more restricted. Such competing demands intensify organizational complexity, increasing the need to coordinate and structure internal processes and control practices (Davila, 2005; Otley, 2016; Ritter & Welch, 2002).

Previous research shows that the decision to go public is complex and requires a careful evaluation of potential costs and benefits (Ewens & Farre-Mensa, 2020). A commonly cited benefit is the access to public capital markets, which provides a broader source of equity financing and increased ownership liquidity (Pagano et al., 1998; Trostel and Nichols, 1982). Going public may also strengthen a firm's legitimacy and credibility among customers, suppliers, and investors (Ritter & Welch, 2002). However, going public also entails costs. These may include both direct listing and disclosure costs, as well as indirect costs arising from agency problems (Aghamolla & Thakor, 2022; Dow et al., 2024). Non-compliance with public stock exchange requirements may further give rise to regulatory sanctions and reputational consequences in capital markets (Armour et al., 2017). Collectively, these conditions place increasing demands on firms to establish organizational processes and control practices capable of supporting compliance in the context of public ownership. In this respect, management control systems (MCS) become particularly relevant, as they are fundamental in helping firms coordinate organizational activities and manage increasing organizational complexity (Davila, 2005).

Since MCS can be configured in multiple ways, the design and use reflect the objectives and priorities guiding the organization (Otley, 1999). While existing research highlights the importance of aligning MCS with ownership structures (King & Clarkson, 2015), prior research within this field has primarily focused on either specific management accounting practices or the

increasing emphasis placed on accounting metrics through processes of sensemaking and sensegiving (Dai et al., 2017; Kraus & Strömsten, 2012). Although these studies together provide valuable insights into how firms adapt to the demands associated with public ownership, comparatively less attention has been given to how the transition to public ownership reshapes management control systems as an integrated and dynamic set of controls.

This limited understanding is particularly notable given that MCS are widely understood to adapt to other organizational contingencies such as firm size or cultural context (Chenhall, 2003; Davila, 2005; Otley, 2016). Within ownership-related settings, prior research has primarily examined MCS changes following management buyouts[1], which differ fundamentally from IPO contexts (Bruining et al., 2004; Jones, 1992). More broadly, the MCS literature has frequently examined management control (MC) elements[2] in isolation, thereby oversimplifying their complex and multifaceted nature, as well as how they are interrelated (Strauss et al., 2025). Such simplification risks overlooking the dual role of MCS in simultaneously constraining behaviour and enabling organizational action (Mundy, 2010). Understanding MCS therefore requires attention to how different controls interact in sustaining this balance (Mundy, 2010), particularly in contexts where competing pressures of discipline and flexibility must be managed simultaneously.

The literature thus reveals a gap at the intersection of IPO research and MCS, highlighting the need for a deeper understanding of how the external demands associated with public ownership are translated into internal control practices. To address this gap, this thesis examines how MCS evolve following an IPO through a qualitative case study of a recently listed Nordic company in the industrial automotive industry, referred to as "VehCo". Addressing this gap is particularly important given that IPO activity remains a significant and recurring feature of global capital markets (Lowry, 2003). As firms face heightened scrutiny and increased reporting requirements, the organizational context changes, placing new expectations on how management control systems are used to ensure coordination and accountability (Otley, 2016).

[1] A management buyout occurs when the management team acquires a significant equity stake to gain control of the company (Robbie and Wright, 1996, cited in Bruining et al., 2004).
[2] MC elements are the smallest unit of analysis in MCS research, such as budgets or performance measures (Strauss et al., 2025).

Drawing on Simons' (1995) Levers of Control framework and Mundy's extension on the enabling and controlling uses of MCS (2010), the study addresses the following research question:

> *How does the transition from private to public ownership influence the design and use of Management Control Systems?*

Through this lens, the study makes three primary contributions to the literature. First, it provides empirical insights into how MCS evolve in the transition from private to public ownership, extending contingency-based research on MCS (Chenhall, 2003; Davila, 2005; Otley, 2016). Our findings show that public listings accelerate the formalization and restructuring of control systems beyond formal compliance demands. This is reflected in a shift toward anticipatory monitoring and the acceleration of strategic initiatives that might otherwise have emerged more gradually. In doing so, it contributes to the understanding of ownership change as a contingency by focusing specifically on the IPO context (extending prior work in other ownership settings; Bruining et al., 2004; Jones, 1992).

Second, the study contributes by showing how the existing control configuration shapes how new demands are absorbed and integrated following a public listing. While prior research has documented an increased emphasis on financial metrics following public listings (Dai et al., 2017; Kraus & Strömsten, 2012), the findings reveal that how this emphasis unfolds in practice depends critically on the pre-existing controls. Rather than producing a predominantly monitoring-oriented system, deeply embedded values and existing control configurations can shape how newly introduced controls are enacted. The broader control configuration thus mediated the impact of newly introduced controls during periods of ownership transition.

Third, the study contributes to the understanding of how MCS are used and enacted in practice. Not all IPO-related controls leave equal room for managerial discretion: some, such as insider regulations, push the organization in a more controlling direction with limited scope for managerial influence. Others, however, preserve meaningful space for managers to shape whether controls are used for monitoring or for enabling innovation and learning.

The remainder of this thesis is structured as follows. The next section introduces the research domain and theoretical framework, followed by the research methodology, including the research

approach, data collection, and data analysis. Thereafter, the empirical findings, analysis, and discussion are presented drawing on Simons' (1995) Levers of Control framework and Mundy's (2010) extension. The thesis concludes with a summary of the key findings, limitations, and directions for future research. References and appendices are provided in the final sections.

2. Literature Review

The theoretical foundation of this study comprises two components: the domain literature and the analytical framework. The domain literature situates the study within research on MCS, with a particular focus on ownership settings and public listing. The analytical framework draws on Simons' Levers of Control framework (1995), complemented by Mundy's (2010) extension, which together provide the lens for examining the firm's MCS and their evolution following the IPO.

2.1 Domain Theory

2.1.1 Conceptualizing Management Control Systems

While management control systems have been defined in various ways across the literature (Abernethy & Chua, 1996; Anthony, 1965; Malmi & Brown, 2008; Simons, 1995), a recurring point of reference is their role in linking employee behavior to organizational objectives[3]. Malmi and Brown (2008), for instance, describe MCS as those systems "put in place in order to direct employee behaviour" (p. 280). Similarly, Abernethy and Chua (1996) emphasize that MCS are implemented "to increase the probability that organizational actors will behave in ways consistent with the objectives of the dominant organizational coalition" (p. 573). Despite some differences in scope, where some scholars emphasize formal, information-based controls (Simons, 1995), while others adopt a broader view that includes informal and social mechanisms (Malmi & Brown, 2008), there is a shared underlying logic. Across these definitions, MCS emerge as inherently purposive mechanisms that steer behaviour in line with what the organization seeks to achieve (Speklé, 2001).

Since MCS are designed to serve organizational objectives, their effectiveness depends on the context in which they operate (Chenhall, 2003; Otley, 2016). Otley (2016) argues that "universal solutions to problems in organizational control generally do not exist" (p. 45), emphasizing the need to tailor the design and use of management control systems to their specific context. In line with this, Chenhall (2003) shows that the effectiveness of MCS depends on contextual factors such as organizational environment and structure, while Davila (2005) points to the role of firm

[3] We define MCS as the "formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (Simons, 1995, p. 5).

size and growth. Thus, rather than evolving through a discrete shift, Otley (2016) argues that management control systems should be viewed as continuously evolving, often being modified and developed over time.

Building on this contextual perspective, the following section examines how such dynamics manifest in the specific setting of a public listing.

2.1.2 MCS in the Context of Public Listing

As issuing shares through an IPO commonly leads to a reduction in ownership concentration (Larrain et al., 2023), this in turn reshapes for whom the organization exists and to whom it is accountable. In this context, ownership structure has been shown to influence the design and use of management control systems (Dai et al., 2017; King & Clarkson, 2015; Kraus & Strömsten, 2012).

Within the IPO context, Dai et al. (2017) provide a contribution to understanding management accounting practices in pre- versus post-listing phases. Focusing on management control elements such as budgeting and performance evaluation, the authors find that the post-IPO budgeting process has become more formalized given that "various parties are involved in the budgeting process and numerous steps have to be followed before a budget can be finalised" (Dai et al., 2017, p. 15). In practice, this is illustrated by the expansion of the budgeting process, where approval now involves multiple organizational layers, including committees, the board of directors, and ultimately shareholders (Dai et al., 2017). The authors argue that this increased formalization is attributed to the firm's listed status and reflects the need to accommodate greater shareholder involvement and oversight, consistent with the heightened transparency requirements associated with public listing (Aghamolla & Thakor, 2022).

In addition to increased formalisation, Dai et al. (2017) document a shift in performance focus post-IPO. Prior to the listing, firms emphasized absolute profit levels. Following the IPO, additional key performance indicators such as profit margin, return on investment, and earnings per share (EPS) were introduced (Dai et al., 2017). The authors argue that the inclusion of these profitability-related measures can be understood in light of increased attention from capital markets. Similarly, Kraus and Strömsten (2012) show that the focus on financial metrics

increased and that EPS emerged as a key financial metric following an IPO. As noted by a board chairman, this measure "gradually […] became the most important one on the corporate level" (Kraus & Strömsten, 2012, p. 199). The study further indicates that incentive systems became more closely linked to financial measures such as EPS, highlighting how increased exposure to capital market actors is reflected in the design of internal performance evaluation (Kraus & Strömsten, 2012). This development aligns with evidence that publicly listed firms tend to incorporate earnings-based performance measures, such as EPS, into executive compensation schemes (Kim & Ng, 2018). Together, the authors suggest that the transition to public ownership may entail both a formalization of MCS and the introduction of market-based and profitability-oriented metrics.

At the same time, this transition should not be understood as a straightforward shift between stable states (Otley, 2016). As Otley (2016) argues, MCS are better viewed as continuously evolving, often being modified and developed over time. In line with this, Kraus and Strömsten (2012) show that systems such as target-setting continue to be refined after the listing, pointing to ongoing adaptation rather than a clear-cut shift.

Complementing this stream of research, King and Clarkson (2015) examine how management control systems are contingent on ownership structures. Building on Speklé's (2001) control archetypes, the authors suggest that different ownership structures necessitate different control designs. Specifically, in the context they examine, the level of ownership held by professionals within the organization varies. Applying Speklé's (2001) control archetypes, King and Clarkson (2015) find that lower levels of ownership[4] among professionals are more appropriately aligned with boundary control systems (King & Clarkson, 2015). These are defined as controls that emphasise behaviour to be avoided and "often carrying stringent penalties for non-compliance" (King and Clarkson, 2015, p. 27). In contrast, a high level of ownership[5] is more appropriately aligned with exploratory control systems, described as "creating and preserving information sharing" (p. 27). King and Clarkson (2015) conclude that a lack of fit between MCS design and ownership degree is associated with reduced organizational performance. However, Chenhall

[4] In their study, lower ownership is defined as a low percentage of full-time equivalent (FTE) professionals who are also owners (King & Clarkson, 2015).
[5] In their study, high ownership is defined as a high percentage of FTEs who are also owners (King and Clarkson, 2015).

(2003) cautions that even when contextual factors are considered, the relationship between MCS and performance remains complex and should be interpreted with care.

2.1.3 The Dual Role of Control

While control is often defined as "a means of restraint" (Collier, 2005, p. 323), prior research suggests that MCS extend beyond restriction. Rather than solely limiting behaviour, MCS can also motivate employees to explore and engage in opportunity-seeking activities (Mundy, 2010; Simons, 1995; Tessier & Otley, 2012). This highlights the dual role of MCS, which may both constrain and enable organizational behaviour.

Tessier and Otley (2012) emphasize that constraining and enabling uses of control should not be viewed as inherently superior or inferior, but as different roles that control systems can fulfil. A constraining use of MCS "reduce[s] options and thus increases predictability", while an enabling use "promote[s] creativity and flexibility" (Tessier & Otley, 2012, p. 175). The authors suggest that both roles are necessary and contribute to organizational functioning in different ways. Similarly, Tuomela (2005) shows that performance measurement systems can support both control and flexibility, as they may be used both diagnostically and interactively[6]. Together, these studies highlight the dual role of control systems, in which constraining and enabling uses are complementary rather than hierarchically ordered.

Evidence from ownership change contexts illustrates how this balance can shift. Bruining et al. (2004), for instance, examine how MCS evolve following management buyouts (MBOs), finding that "freedom from conformity with the practices of the former parent" (p.170) resulted in MCS being more closely matched with organizational contexts. More specifically, one key change was the increased involvement of employees in budgeting, with budgets shifting from top-down imposed targets to more participative and flexible tools. This development reflected a shift away from a more "coercive" use of MCS, characterised by hierarchical control and a strong focus on compliance, towards a more "enabling" use, in which control systems support employees by providing guidance and allow for greater flexibility (Ahrens & Chapman, 2004). The authors argue that this shift was better aligned with organizational needs, underscoring the contingent

[6] In this context, diagnostic use can be understood as more constraining in nature, focusing on monitoring and correcting deviations, whereas interactive use is more enabling, supporting dialogue, learning, and adaptation.

nature of control systems (Bruining et al., 2004). This, in turn, suggests that the appropriate balance between constraining and enabling uses is context-dependent and subject to change.

Taken together, MCS emerge as dynamic, while simultaneously fulfilling both constraining and enabling roles. The following section introduces the theoretical framework employed to examine how these dynamics evolve following a public listing.

2.2 Theoretical Framework

2.2.1 Simons' Levers of Control Framework

Simons (1995) defines MCS as the "formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (p. 5). While originally developed for top management in large organizations, subsequent research has extended its applicability to lower management levels as well as to small and medium-sized enterprises (Martyn et al., 2016). Furthermore, although Simons focuses on formal control systems, later research indicates that informal controls may also be implicitly captured within the framework (Collier, 2005). This broader application suggests that the LOC framework is relevant beyond the boundaries originally proposed.

Within the LOC framework, Simons (1995) distinguishes between four types of control systems: beliefs systems, boundary systems, diagnostic control systems, and interactive control systems. While each of these four levers serves a specific function in influencing organizational behaviour, Simons emphasizes that they are not intended to operate in isolation. Rather, they should be used in combination to achieve effective control and create a dynamic tension between competing objectives (Simons, 1995).

Beliefs systems are described by Simons (1995) as "the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization" (p. 34). They are used by top management to inspire and motivate employees to explore opportunities and engage in actions aligned with organizational goals (Widener, 2007), thereby acting as a positive guiding force within the organization (Simons, 1995). These systems are typically communicated through mechanisms

such as mission statements, vision statements, corporate credos, and core values (Ferreira and Otley, 2009; Simons, 1995).

Prior research highlights that beliefs systems become particularly important during periods of organizational change, when managers seek to introduce or modify values and strategic priorities (Roberts, 1990, cited in Mundy, 2010). In such situations, beliefs systems provide employees with a shared sense of direction and a value-based foundation for decision-making (Dent, 1991, cited in Mundy, 2010). Similarly, in contexts characterized by uncertainty, beliefs systems enable managers to communicate strategic objectives and guide employees in aligning their actions with desired organizational outcomes (Speklé, 2001).

While beliefs systems provide general direction and encourage opportunity-seeking, *boundary systems* "delineate the acceptable domain of activity for organizational participants" and help ensure that organizational resources are used effectively (Simons, 1995, p. 39). Within the LOC framework, Simons (1995) distinguishes between business conduct boundaries and strategic boundaries. Business conduct boundaries regulate employee behavior through rules and guidelines, such as codes of conduct or ethical policies. Strategic boundaries, in turn, define the domains in which the organization may operate and clarify which activities should not be pursued (Simons, 1995).

As organizations face increasing opportunities for expansion and heightened performance pressures, boundary systems become more important in maintaining organizational focus (Simons, 1995). However, prior research cautions that overly rigid boundary systems may constrain employee creativity, limit the exploration of higher-reward solutions (Sprinkle et al., 2008), and reduce employee motivation (Adler and Chen, 2011). To mitigate these risks, boundary systems should be applied in an enabling manner (Adler and Chen, 2011), and, as emphasized by Simons (1995), balanced with other control levers.

To ensure that activities within these boundaries lead to desired outcomes, organizations also employ *diagnostic control systems*, defined by Simons (1995) as "the formal information systems that managers use to monitor organizational outcomes and correct deviations from preset standards." (p. 59). These systems have three key features: the ability to measure process outputs, the presence of predetermined standards for comparison, and the capacity to correct deviations

(Simons, 1995). Their main purpose is to ensure alignment with organizational objectives, track performance, and provide a basis for evaluation and rewards (Hofmann et al., 2012). Typical diagnostic control systems include goals and objectives systems, business plans, profit plans and budgets, project monitoring systems, and standard cost accounting systems (Simons, 1995).

Diagnostic control systems are often described as a negative force that supports efficiency by directing managerial attention to significant deviations from predefined targets, thereby allowing managers to focus only on issues that require intervention. However, when applied too rigidly, such systems may constrain innovation by overemphasizing short-term performance at the expense of long-term value creation (Simons, 1995).

Finally, Simons (1995) introduces *interactive control systems*, defined as the "formal information systems managers use to involve themselves regularly and personally in the decision activities of subordinates" (p. 95). These systems consist of formal, two-way communication processes between managers and subordinates across organizational levels (Mundy, 2010) and are used to focus organizational attention on strategic uncertainties (Simons, 1995). Through this involvement, managers signal organizational priorities and stimulate information gathering, face-to-face dialogue, and debate throughout the organization (Bisbe and Otley, 2004), thereby supporting organizational learning and helping firms identify emerging opportunities and challenges (Bisbe and Otley, 2004; Simons, 1995).

Interactive control systems are not tied to a specific set of controls (Simons, 1995); instead, any management control system that facilitates ongoing dialogue and debate can be used interactively (Mundy, 2010). For example, strategy days, interactive budgeting processes (Mundy, 2010), and regular meetings where organizational members discuss strategic issues can function as interactive control systems (Simons, 1995). However, because interactive use requires substantial managerial attention and involvement (Bisbe and Otley, 2004; Simons, 1995), and is resource-intensive (Mundy, 2010), organizations typically rely on only one system to be used interactively (Simons, 1995).

2.2.2 The Levers of Control as an Integrated System

According to Simons' LOC framework (1995), the four levers of control create opposing forces within organizations. Beliefs systems and interactive control systems act as enabling mechanisms

by fostering opportunity-seeking, whereas boundary and diagnostic control systems impose constraints to ensure compliance and efficient goal achievement (Simons, 1995). Building on this, subsequent research shows that the levers are not independent, but interrelated and complementary (Tuomela, 2005; Widener, 2007). For example, Widener (2007) finds that an emphasis on beliefs systems is associated with a strengthening of the remaining levers, while the use of performance measures in interactive systems is linked to their use in diagnostic systems.

2.2.3 Mundy's Research on Controlling and Enabling MCS

While Simons' LOC framework characterizes beliefs and interactive systems as enabling, and boundary and diagnostic systems as constraining, Mundy (2010) challenges this fixed characterization. She argues that no lever is inherently enabling or constraining; rather, its role depends on how it is used by managers.

Mundy (2010) draws a clear distinction between these two modes of use, which she defines as *enabling* and *controlling*. Although the literature employs a range of overlapping terms to describe these modes, this study adopts Mundy's terminology for consistency. The controlling role of MCS is associated with "predictability, efficiency, formality, and the importance of meeting short-term targets" (p. 500), while the enabling role is associated with "spontaneity, transparency, adaptation, information-sharing, enterprise, and adaptability" (p. 500). Crucially, Mundy (2010) argues that the same lever can be used in either way. A diagnostic system, for instance, may constrain behaviour through clear targets and minimum deliverables requirements, but can also enable managers by providing a defined budget within which they can propose alternative solutions and determine how objectives are achieved. Similarly, beliefs systems can inspire and empower employees, but can also be used coercively to reinforce a particular strategic direction. According to Mundy (2010), balancing these uses generates dynamic tensions between effective goal achievement and innovation.

While Mundy (2010) also identifies factors that influence an organization's ability to maintain this balance, these are beyond the scope of this study. Instead, this study adopts her central argument that all four levers can function as both enabling and controlling mechanisms, depending on how they are used. When combined with Simons' LOC framework, this

perspective provides a lens for analyzing how MCS may be reconfigured to navigate tensions between discipline and flexibility in the transition to public ownership.

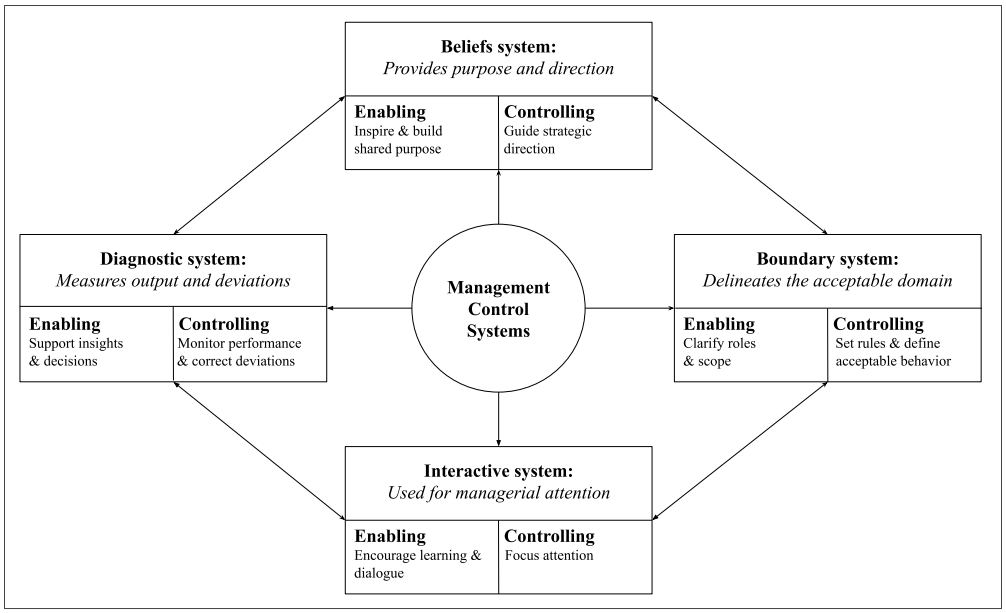

Figure 1: Theoretical framework guiding this study, integrating Simons' (1995) Levers of Control and Mundy's (2010) enabling and controlling uses of MCS.

3. Method

3.1 Research Design

This thesis adopts a qualitative, single-case study, designed to address the research question:

> *How does the transition from private to public ownership influence the design and use of Management Control Systems (MCS)?*

A qualitative methodology is appropriate given the explanatory nature of the research question. The study aims to understand *how* and *why* changes occur in MCS following an IPO, rather than to test relationships between predetermined variables (Yin, 2014). In contrast to quantitative approaches, qualitative research focuses on interpreting the social world through the perspectives and experiences of participants, thereby enabling rich, in-depth insights into complex phenomena (Bell et al., 2022). This is especially relevant, as the study aims to capture not only how MCS have changed in practice, but also how these changes are perceived and understood by organizational members.

More specifically, the study adopts a single-case design, focusing on one company in depth. This choice is motivated by two main considerations. First, a single-case study facilitates a detailed and nuanced understanding of complex phenomena within their real-life context (Siggelkow, 2007). Second, single-case studies are generally less resource-intensive and more manageable in terms of time and cost compared to multiple-case studies (Yin, 2014). Given the scope and timeframe of this thesis, focusing on a single case provides a balance between practical constraints and the opportunity to generate rich, in-depth insights into the evolution of MCS following an IPO.

3.2 Selection of the Case Company

In order to answer the research question, selecting an appropriate case company was crucial. For this study, we focused on a Nordic company operating in the industrial automotive industry that conducted its IPO in 2025. The company was considered an ideal case because it met four criteria that we believed were essential for providing meaningful insights and answering the research question.

The first criterion concerned the timing of the IPO. The listing was sufficiently recent to allow observable changes in management control systems, while not so recent that such changes had not yet materialized. Second, the same employees remained with the company before and after the IPO, which was important to ensure that participants could accurately explain and provide insights into how MCS had changed. In line with this, all interviewed participants had worked at VehCo between 2 and 18 years, allowing them to reflect on both pre- and post-IPO developments. The third criterion concerned data accessibility. The company's Nordic location, combined with the willingness of employees across organizational levels to participate, facilitated the collection of rich empirical data. Finally, company size was considered, as the organization needed to be sufficiently large to exhibit both formal and informal management control systems.

To identify a suitable case, we initially contacted several companies that had completed an IPO in the Nordics within the last two years. Of these, two companies expressed interest in participating. To determine which company would best fit the study, we conducted short meetings of approximately 20 minutes with each, discussing the study's scope and requirements. The final case company was selected based on how well it fulfilled the four criteria.

3.3 Data Collection

In the preparatory phase of the study, online materials were the primary source of information. The company's website, annual report and prospectus[7] were reviewed to develop an initial understanding of the company. This preliminary analysis provided important contextual insights, which were essential for both formulating the interview guide and interpreting the data obtained from the subsequent interviews.

The main data collection method in this study consisted of seven semi-structured interviews with employees holding different positions across the organization (see Appendix 1). This approach was appropriate, as it enabled us to draw on insights from participants while allowing flexibility to adapt questions and probe for more in-depth responses (Qu and Dumay, 2011). Each interview lasted approximately 50 to 70 minutes and was conducted online via Microsoft Teams. The

[7] A prospectus is a legally required document for an initial public offering (IPO) that provides detailed information about the offering, including the firm's business, past financial performance, ownership structure, and associated risks, ensuring investors receive all material facts before making investment decisions (Bhabra and Pettway, 2003).

interviews were guided by a preformulated interview guide, with Simons' levers of control forming the four main sections (see Appendix 2). The guide primarily consisted of open-ended questions, supplemented by a smaller number of more specific questions.

Not all questions were asked to every participant. Instead, the questions were adapted to the individual participant and their role in the organization, as well as the information that had already been gathered from previous interviews. In addition to the questions in the guide, follow-up questions were asked during the interviews, often in more detail, in order to obtain a more complete and nuanced understanding of the participants' answers. The order and structure of the questions were flexible and adjusted according to how each interview developed.

Interview participants were selected using purposive sampling, whereby individuals were strategically chosen based on their relevance to the research question and their ability to provide the most informative insights (Bell et al., 2022). Following an email exchange with the CFO, a list of potential participants was provided. As the list primarily included top management and head-of-function roles, we sought to broaden the perspectives by also including an operational-level participant, namely a site manager. In total, six participants were selected, all of whom agreed to participate in the interviews (see Appendix 1).

3.4 Data Analysis

All interviews were conducted in Swedish and audio-recorded, with an analytical memo written during each session. The analytical memos served to capture key points, reflections, and initial insights in real time during the interviews. This approach helped ensure that important details were not overlooked and enabled early interpretations to be documented and revisited in later stages of the analysis. Following each interview, the recordings were transcribed in Swedish and subsequently translated into English. To ensure accuracy, the transcripts were carefully compared with the audio recordings.

Throughout the research process, an abductive approach was applied, enabling an iterative movement between empirical observations and theoretical concepts (Bell et al., 2022). After each interview, a preliminary analysis was conducted to identify initial patterns and relevant observations. By continuously moving between interview findings, ongoing analysis, and

relevant theory, we maintained a close connection between the data and theoretical understanding.

Furthermore, a three-step coding process was applied in line with Strauss and Corbin's (2008) framework for coding. The initial stage involved open coding, where the interview material was broken down into meaningful words, phrases, and sentences and assigned descriptive codes closely reflecting the interviewees' own terminology, such as "more goal tracking," "quarterly reporting," and "greater investor scrutiny." This was followed by axial coding, in which related codes were systematically compared and grouped into broader categories based on similarities and recurring patterns. For example, the aforementioned codes were clustered into the category "increased performance monitoring." The final stage involved selective coding, where the identified categories were integrated into overarching analytical themes guided by Simons' four levers of control. This coding process enabled a structured analysis of how management control systems evolved following the IPO.

4. Empirical Findings and Analysis

This section presents the empirical findings and analysis, structured around the theoretical framework guiding this study. To provide context for the analysis, the section begins with an introduction to the case company and its IPO decision.

4.1 Introduction to the Case Firm and the IPO

VehCo is a Nordic company operating in the industrial automotive sector. After more than 30 years in the industry, the company went public in 2025. Despite the listing, the board and top management team retain a significant ownership stake in the company.

The organization is decentralized and structured around revenue centers, with operations spanning eight facilities across five geographical locations. Each location functions as a revenue center led by a site manager. As a result, some site managers oversee multiple facilities within a single revenue center (CFO). As noted by the CEO, employees at the facility level can influence revenues in two ways; through service delivery and contract negotiations. However, major decisions and investments related to balance sheet items remain centralized and are controlled by the company's headquarters.

VehCo employs both full-time and seasonal workers, with the workforce almost doubling during peak seasons. Employees are typically assigned to a specific facility but may work across sites when needed (CFO; VehCo's prospectus, 2025). The company's customer base consists of two main groups: long-term contract customers and on-demand customers.

Based on the conducted interviews and VehCo's prospectus (2025), three main factors emerged as key drivers behind VehCo's decision to go public. First, the listing was intended to support the company's growth ambitions by broadening its ownership base and increasing access to both Swedish and international capital markets. A second reason was the aim to enhance the company's visibility and strengthen its brand among key stakeholders, including customers, business partners, employees, and investors. Third, the listing was perceived as a form of quality certification, as being publicly listed entails increased regulatory requirements and transparency. This was seen as a way to differentiate the company from competitors and to align with larger

counterparties that operate under similar governance standards. Taken together, the listing represents an important strategic step in VehCo's development, supporting both its growth trajectory and its positioning in the market.

4.2 VehCo's Management Control Systems

The following subsections explore both the levers that have evolved and those that have remained relatively stable across the transition. Particular attention is given to how these levers are used in practice and how this gives rise to changing dynamics between enabling and controlling forms of control.

4.2.1 Beliefs Systems

VehCo's vision, mission and values are clearly articulated both on the company's website and in the IPO prospectus (VehCo's webpage, 2026; VehCo's prospectus, 2025). Internally, this is reflected in the phrase "Doing it the [VehCo] way," which serves as a guiding principle for how employees are expected to carry out their work (HR Manager). Across interviews, multiple organizational members emphasize customer responsiveness and a proactive approach to service development as central to how the organization operates. In particular, the importance of delivering "high-quality service" by actively listening to and understanding customer needs is highlighted (Market Manager). The CFO further reinforces this by stating:

> "We occasionally receive unconventional or unexpected requests, but we don't say no to them."

Unconventional and unexpected requests are even encouraged at VehCo, as the company operates at the forefront of many customers' R&D activities (Market Manager). The organization's service-oriented mindset is further reflected in how employees are expected to engage with customers:

> "Employees are encouraged to develop new services together with customers, and if we find ways to expand our offering, we do so." (CFO)

Given that VehCo operates at the forefront of its customers' innovation processes, maintaining such a responsive approach is considered essential. As the CEO highlights, the organization must remain innovation-driven despite not being a traditional R&D company itself.

In addition to being formally articulated, these values are actively reinforced through internal practices. The organization uses structured "[VehCo] days[8]" where employees engage with a digital tool to solve cases "the [VehCo] way" (HR Manager). The HR Manager emphasizes the role of these practices in shaping employee behavior, stating that:

> "The cases help employees think through different scenarios and guide employees to solve the situations in line with the organization's ways of working."

Such practices also support alignment across geographically dispersed sites (Site Manager). As the CEO explains, these efforts are particularly important given that "culture and operational approaches may vary across different sites", highlighting the need for mechanisms that promote a shared way of working. In this respect, these initiatives also contribute to ensuring more consistent quality across the organization (Site Manager).

Several interviewees confirmed that VehCo's core values have remained unchanged following the IPO (CEO; HR Manager; Market Manager; CFO). This continuity appears to be a deliberate managerial choice. As the CEO explains:

> "It is important for us to preserve our core values…We want to ensure that these are not affected by the IPO and that our operations remain consistent with them."

The Market Manager reinforces this:

> "We aim to support our customers in improving processes and moving towards [more sustainable and higher-quality solutions]. This is something we intend to continue doing…It is important for us to maintain our direction."

At the same time, the introduction of new external stakeholders has altered the organizational context (Market Manager). These investors may bring different expectations. As noted by the

[8] "[VehCo] days" are days where employees from different sites and organizational levels meet to engage in joint activities, discuss organizational values through case-based exercises, and participate in sessions focused on health, well-being, and knowledge sharing. They were introduced pre-IPO (HR Manager).

CFO, capital market actors may at times adopt a more short-term perspective, placing greater emphasis on immediate performance and near-term financial outcomes. However, the organization actively communicates the long-term nature of its industry to investors, which is closely tied to its core values of customer focus and long-term service relationships. Contracts are often set well in advance, and customer relationships tend to be highly stable, in some cases “working almost as colleagues". Maintaining a long-term orientation and the core values is therefore considered essential (CFO).

Overall, the findings indicate that VehCo’s beliefs systems have remained largely stable following the IPO. Core values are maintained and reinforced through both formal communication and internal practices. As such, beliefs systems continue to function as an enabling force, guiding employees and encouraging them to come up with novel ideas. Rather than becoming diluted or constrained after the public listing, these values appear to have been actively upheld and reinforced. From a control perspective, this indicates that beliefs systems remain stable despite changing conditions. There is a deliberate effort not only to preserve core values, but also to sustain their enabling role in fostering initiative and idea generation.

4.2.2 Boundary Systems

While beliefs systems have remained relatively stable, the IPO has introduced notable changes in boundary systems. In particular, the listing has led to the implementation of new formal policies, primarily related to communication through insider regulations. As noted by the interviewees, these changes are driven by the need to comply with the laws and regulations governing publicly listed companies (HR Manager; CFO; Business Developer). In particular, information that may affect the firm or its share price must be disclosed in a regulated manner, ensuring that all stakeholders receive access to such information simultaneously (CFO). Consequently, VehCo has established a designated group with authorized access to insider information, while access for other employees is restricted (CFO). The HR Manager further explains that these policies are consolidated into the employee handbook[9] to ensure that they are easily accessible and understandable. At the same time, a substantial degree of confidentiality appears to have been in place even prior to the IPO. As one site manager notes:

[9] Formal rules, such as insider policies, are summarized in the employee handbook in a simplified and practical way to improve understanding (HR Manager)

> "It has always been somewhat confidential, as we have quite a number of large clients that we do not disclose."

However, following the IPO, additional insider and communication policies have been introduced, expanding the scope of information that must be handled carefully. The HR Manager explains that communication has become more cautious following the IPO, with topics that were previously discussed openly now being handled in a more restricted and private manner.

This shift toward more controlled and regulated communication is further illustrated by the Market Manager, who explains:

> "Before the IPO, we sent out a monthly newsletter that included, among other things, updates on booking levels. We still send these newsletters, but we are now more careful in how we communicate… We would previously include that we have many bookings in a given month, which is something we no longer do."

The changes have affected internal information flows and appear to influence operational practices. The HR manager notes that insider restrictions have delayed her involvement in high-value customer decisions, reducing her ability to plan ahead in the staffing process. Similarly, both the Market Manager and Business Developer highlight that the introduction of insider policies has added an additional layer of work and complexity. In situations involving insider information, employees often need to consult VehCo's advisors, as such matters often require careful interpretation and involve considerable ambiguity (Market Manager).

While these changes primarily affect internal communication and coordination, the introduction of IPO-related policies has also strengthened the organization's approach to managing external risks. As noted by the CFO, the IPO-related due diligence process revealed gaps in existing policies, particularly related to environmental and sustainability issues, which led to the refinement of these policies. In this respect, the IPO has contributed to a more structured and formalized approach to risk management across the organization (CFO). This further reflects a more controlling use of boundary systems following the IPO, as formalized policies and procedures increasingly structure how risks and organizational activities are managed.

Most other policies have remained largely unchanged (CFO; Business Developer). These include policies related to confidentiality and safety, such as guidelines on workplace conduct, work attire, and procedures for handling client assets. These policies appear to be largely driven by customer-imposed requirements (CFO).

In addition to formal policies, boundary systems are also reflected in the structuring of roles and responsibilities, which help define the acceptable domains of activity. Following the IPO, roles became more clearly defined, accompanied by a reorganization of the leadership team and the introduction of several new dedicated roles (Market Manager; Business Developer). This reflects a shift toward increased specialization and clearer role definition within the organization.

Although this development is to some extent a natural consequence of organizational growth, the IPO appears to have intensified and accelerated the formalization process, increasing the need for clearer structures and role definitions. This has, in turn, clarified what employees are expected to focus on. As the CEO notes:

> "The introduction of additional roles has been very beneficial… People can be more present than before"

This suggests that clearer role structures support employees in engaging more actively and deliberately within their respective areas of responsibility.

Overall, the findings indicate a shift in how business conduct is regulated following the IPO. In particular, the introduction of stricter insider policies has made communication more controlled, which has increased caution and limited informal information sharing. At the same time, increased formalization and clearer role definitions have made it more explicit what individuals are expected to focus on, contributing to a more structured division of work. In this respect, boundary systems appear more enabling, as greater clarity allows individuals to operate with increased focus and autonomy within their defined roles. However, in this initial post-IPO phase, controlling effects appear to be more pronounced overall, as increased policies and caution around information sharing reinforce greater predictability and formality.

4.2.3 Diagnostic Control Systems

Alongside these changes, the IPO has also influenced how VehCo measures and monitors performance. The interviews indicate that the listing has altered outcome tracking and deviation follow-ups. Prior to the listing, financial reporting and performance monitoring were less central to the organization's operations. As the CFO explains:

> "Historically, financial reporting has not been a major focus in the company. We have followed revenues and costs on a yearly basis, but not much beyond that. Now, as a consequence of the IPO, reporting has changed significantly"

Following the listing, reporting frequency increased substantially, moving from a yearly to a quarterly cycle. This transition was accompanied by improvements in data quality and accounting practices, most notably the introduction of accrual-based accounting, which has strengthened the comparability of costs across reporting periods (CFO; CEO; Site Manager). As a result, financial awareness has increased at the operational level, reflected in a sharper focus on cost accuracy and greater scrutiny of expenses. As the site manager explains:

> "There is a greater focus on costs now. Before, we were not as careful to expense things correctly, but now we are."

Together, increased reporting frequency and improved data quality have strengthened VehCo's ability to compare performance across periods and identify deviations more systematically (CFO; Business Developer). The CFO acknowledges that while post-IPO transparency demands accelerated these changes, they would likely have emerged eventually as the company scaled, albeit at a later stage.

The shift to quarterly reporting has also formalized the role of financial targets, embedding them more explicitly into the organization's reporting process. While such goals existed prior to the IPO, they were primarily used internally and monitored informally. Today, VehCo operates with three core financial targets: revenue growth of 10-15%, EBIT margin of 40%, and a dividend distribution policy of 40%. These are communicated both internally and externally and are mid-term, covering a three- to five-year period. Although the market-based metric EPS has been introduced post-IPO, it plays a limited role in internal follow-up. As the CFO notes:

> "Even though EPS is something we look at, it is not something that we put a lot of focus on. Nor do we experience any particular pressure from investors regarding this figure."

The three core targets, by contrast, are actively tracked and followed up throughout the organization. As explained by the CEO:

> "These goals are now more frequently monitored in order for us to see if we are falling behind and if we need to act or put in extra resources somewhere."

This increased emphasis on target monitoring has sharpened the focus on consistent delivery and reduced tolerance for deviation (Business Developer). As the CEO underscored:

> “Missteps have a greater impact now since we are constantly monitored by the market.”

This view is reinforced across interviewees, who consistently emphasize that post-IPO, deviations carry more immediate consequences (Market Manager; CFO; HR Manager; Business Developer).

The organization has also moved toward a more forward-looking approach to performance management. Historically, VehCo maintained strong cost control while treating revenues as largely given. This reflects the nature of the industry, where revenues are difficult to predict and fluctuate due to a mix of long-term and more volatile, on-demand customers. Systematic budgeting and forecasting were therefore not a central priority. Since the IPO, however, the CFO emphasizes that forecasts and budgets have become increasingly important tools for managing investor expectations:

> “If we realize during the budgeting process that something will be tight, we may postpone, for example, an investment to a later point in time.”

This illustrates how budgeting has evolved into a proactive tool for managing performance and maintaining alignment with externally communicated financial targets.

Finally, diagnostic control systems have become more detailed and operationally embedded. While revenues and costs were previously monitored at an aggregated level, VehCo now relies on

segmented reporting across locations and service types, as well as operational indicators such as booking patterns, cancellations, and occupancy rates. As one interviewee explains:

> "We have broken down certain measures, such as occupancy rates, to a more granular level, allowing them to be tracked at each individual facility. This allows us to see where we have the opportunity to expand and be better." (Business Developer)

More granular tracking has enabled more informed decision-making, as facilities schedule maintenance and repair work during periods of low occupancy (CFO). Improved visibility into occupancy rates has also strengthened the ability to target customers, as underutilized sites can be identified and matched with customer segments exhibiting corresponding demand (Business Developer). In this respect, diagnostic controls appear to be used primarily in enabling ways following the IPO, as increased operational visibility supports planning, adaptability, and opportunity identification across the organization.

Overall, the findings suggest that the IPO introduced more extensive diagnostic controls, including intensified reporting structures, more formalized goal-setting, and increased operational follow-up, contributing to a rebalancing between their enabling and controlling uses. While these developments strengthened monitoring capacity and increased attention to performance outcomes, managers predominantly appear to use these controls in enabling rather than rigidly controlling ways. Rather than strictly prescribing how goals should be achieved, the strengthened controls are used for more informed decision-making, and the identification of areas for improvement.

4.2.4 Interactive Control Systems

As previously noted, VehCo's innovation-oriented approach is a central part of its culture. Across several interviews, terms such as "innovation", "responsiveness", "adaptability" and "fast-moving" are used to describe VehCo's organization (HR Manager; Market Manager; CFO; CEO), highlighting the role of flexibility. As explained by the CEO:

> "If we keep doing what we have always done, we will not be around for long. We need to constantly stay relevant. Part of our mindset is to think in new ways."

These characteristics are closely linked to the use of interactive practices, as continuous dialogue enables the organization to remain responsive to market uncertainties and emerging opportunities. While interactive discussions were already embedded in VehCo's culture prior to the IPO, interviewees emphasized that they have become considerably more structured following the listing. This shift reflects a move away from informal, ad hoc idea generation toward structured and recurring processes, as the CFO notes:

> "Less happens at the coffee table now, but more takes place in structured meetings."

The CFO attributes this formalization partly to heightened investor expectations, which require more systematic approaches to strategic discussion. At the same time, this shift is also attributed to organizational growth, as a larger workforce requires greater structure to maintain effective communication and coordination (HR Manager).

Building on these observations, we identify one control system currently used interactively at VehCo, and one that was previously interactive but has since shifted in its application following the IPO.

VehCo's primary interactive system links top management and operational staff through the sales forum. As explained by the CEO:

> "The sales forum takes place once a month. During these meetings, we discuss topics such as customer needs and potential new market segments to enter."

Although this forum existed prior to the IPO, it previously involved only top management, limiting both participation and the breadth of perspectives exchanged. Today, both top management and subordinates are involved, enabling a wider range of insights (Business Developer; Market Manager; Site Manager).

This expanded participation has also accelerated the emergence of new ideas. Discussions within the forum have directly contributed to new pre-sales initiatives, with VehCo now proactively reaching out to potential customers across multiple platforms. As the CFO notes:

> "The IPO has accelerated the pre-sales process and pushed us to act sooner, whereas without it, we might have done this in a couple of years."

In addition, these meetings now incorporate a more explicit focus on risk, examining uncertainties in the external environment related to customers and market exposure (CEO). This increased attention to risk reflects the heightened scrutiny that comes with public ownership and the need to remain proactive in order to avoid adverse market reactions (CEO).

The forum also serves as a channel through which improvement suggestions from across the organization are surfaced and incorporated into decision-making (Market Manager). The generation of these improvement suggestions is actively encouraged and incentivized within the organization:

> "During the [VehCo] days, we distributed flyers, encouraging employees to hand in at least [X] number of improvement suggestions in exchange for free breakfast." (Market Manager)

This illustrates how management fosters a culture of responsiveness, continuously drawing on operational insights to identify areas for improvement.

However, the IPO has also altered the interactive use of one control system that previously served as a platform for broader organizational dialogue. Prior to the listing, formal discussions between top management and employees regarding financial performance were conducted openly and interactively. As the Site Manager recalls:

> "Before, we had the opportunity to reflect on our financial results frequently together. If performance fell short of expectations, we would discuss the underlying reasons and come up with solutions"

Such discussions have become less frequent post-IPO. As the site manager further notes:

> "Nowadays, I rarely receive any financial information on how things are going until it becomes public and is communicated to the market."

The Business Developer reinforces this observation, noting that while occasional meetings on financial matters still occur, they have become less frequent. This change is primarily driven by the introduction of insider information policies following the listing (Business Developer; Site Manager). While these policies do not directly restrict internal communication, they have led to

increased caution around discussing financial matters outside the designated insider group, which in practice has reduced the extent of open dialogue at the operational level.

Overall, the findings suggest that following the IPO, both the specific systems used interactively and the broader control environment has shifted, with interaction overall becoming more formalized and structured. Despite these changes, VehCo's interactive controls remain predominantly enabling in nature, both before and after the IPO. Although increased formalization reflects a shift toward stronger controlling elements by structuring interaction more explicitly, enabling aspects remain dominant, as interaction continues to support responsiveness, transparency, and the generation of new ideas.

Taken together, the findings across the four levers suggest that the IPO has not simply added new controls, but has altered the dynamic relationships between the different levers. Figure 2 illustrates these relationships, which are explored further in the Discussion. A more detailed summary of the changes across the four levers, including their enabling and controlling characteristics, is provided in Appendix 3.

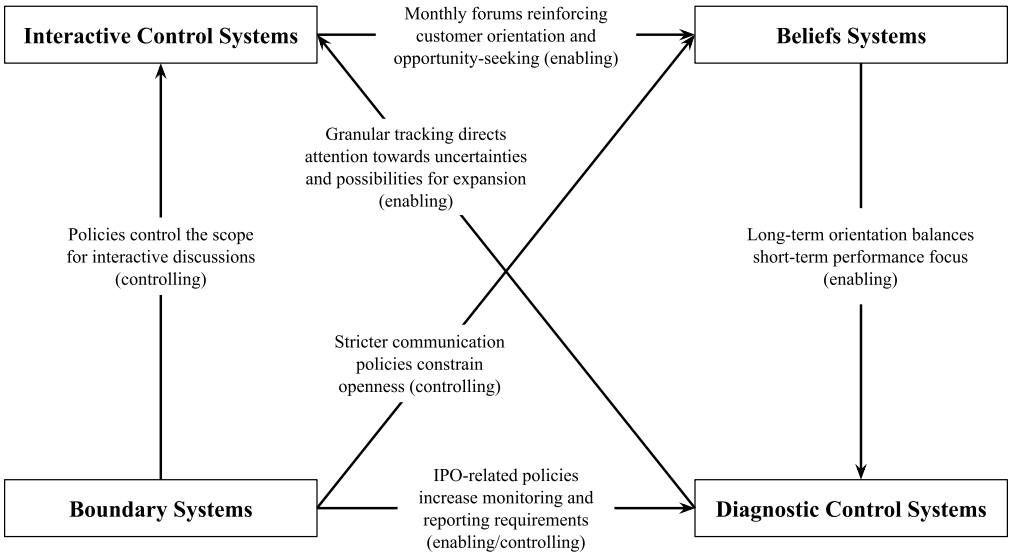

Figure 2: The interrelations between the different uses of the MCS at VehCo (inspired by Mundy, 2010).

5. Discussion

This section discusses the findings in relation to prior research and the theoretical framework. First, it examines how the IPO has accelerated processes of formalization and reshaped forms of discipline and accountability. It then explores how the relationships between the four levers have evolved following the ownership transition, before discussing the implications of these findings for understanding MCS in an IPO context.

5.1 The Transformation of Control Under External Scrutiny

Prior research shows that as organizations grow, the increasing complexity of their operations becomes one of the underlying drivers behind the *formalization* of control systems (Davila, 2005). The findings extend this view by demonstrating that formalization may also be driven by the need to produce externally interpretable and verifiable information. In this regard, the IPO acts as a catalyst, accelerating formalization processes that might otherwise emerge more gradually (Dai et al., 2017). At VehCo, this is reflected in the rapid structuring of reporting practices, the clarification of roles, and the formalization of organizational forums.

While formalization is generally understood to enhance organizational predictability through clearer rules and procedures (Simons, 1995), prior research has highlighted how top-down controls may become misaligned with operational needs (Bruining et al., 2004). At VehCo, however, the increasingly formalized controls, despite being introduced in a top-down manner, appear to facilitate rather than constrain organizational activities. This is, for instance, reflected in improved data quality arising alongside reporting requirements, which enhances the reliability of planning processes. External transparency demands thus accelerated forms of formalization that proved well-suited to the organization's needs, making the resulting controls both timely and contextually appropriate. This indicates that top-down formalization, even when externally induced, can yield functionally appropriate outcomes, thereby extending contingency-based research on the context-dependent nature of MCS design and use (Chenhall, 2003; Otley, 2016).

As formalization increases and external scrutiny intensifies following a public listing (Aghamolla and Thakor, 2022; Ewens & Farre-Mensa, 2020; Trostel & Nichols, 1982), the question arises of how behavior is steered under such conditions. Prior to the IPO, *discipline* at VehCo centered on ex post evaluation of results, consistent with Simons' (1995) traditional view of diagnostic

controls as systems used to “monitor organizational outcomes”. In contrast, following the listing, discipline has become more anticipatory, reflected in the use of budgeting to defer investments and a growing emphasis on facility-level indicators and forward-looking follow-up processes. This shift can be understood in light of Speklé's (2001) argument that limited outcome observability shifts organizations toward more process-focused controls. In the IPO context, organizational performance becomes externally observable only intermittently and retrospectively through financial reporting (Aghamolla & Thakor, 2022; Dai et al., 2017). Managers may therefore respond by shifting discipline toward more anticipatory and operationally embedded forms of monitoring to ensure that performance remains on track before it becomes externally visible.

As an IPO commonly leads to a reduction in ownership concentration (Larrain et al., 2023), the set of stakeholders to whom *accountability* is owed expands. At VehCo, managers consistently describe heightened accountability following the listing, as performance becomes externally visible and more closely scrutinized by investors who often prioritize stable short-term outcomes (Dow et al., 2024). In response, control practices are used more intensively, reflected in more frequent follow-up processes and a more active use of decision-making tools. This aligns with prior research showing that IPOs intensify financial focus and attention to capital market expectations (Dai et al., 2017; Kraus & Strömsten, 2012). However, in contrast to prior research suggesting that firms respond to short-term investor pressures by incorporating market-based performance metrics (Dai et al., 2017; Kraus & Strömsten, 2012), our findings show that such metrics have not become dominant within VehCo’s internal control system. Instead, accountability continues to be enacted primarily through internally grounded measures such as cost control and EBIT margins. This suggests that the translation of capital market pressures into internal control systems remains limited. One explanation may be the managers’ retained ownership post-listing, which reduces the information asymmetries that typically push firms toward market-based performance metrics (Kim & Ng, 2018; King & Clarkson, 2015).

Together, these shifts in formalization, discipline, and accountability raise the question of how different control elements interact to produce these dynamics.

5.2 Shifting Control Interactions

In line with prior research (e.g. Mundy, 2010; Simons, 1995; Widener, 2007), the findings show that the four levers operate as an interconnected system within VehCo.

One central interaction concerns how beliefs systems shape the design and use of diagnostic control systems. Beliefs systems are described as crucial since they establish the operating paradigm under which the other levers operate (Dent, 1991, cited in Mundy, 2010). Similarly, VehCo's managers explicitly recognize this central role and actively reinforce core values throughout and beyond the IPO process. Despite new external stakeholders and associated short-term performance pressures (Dow et al., 2024; Kraus & Strömsten, 2012), long-term customer orientation remains central to how the organization operates. These beliefs appear to shape how diagnostic controls are interpreted and applied, preventing them from becoming narrowly focused on short-term financial outcomes. This aligns with Mundy's (2010) observation that "the main protection against a purely short-term attitude comes from the strong beliefs systems" (p. 513). Rather than becoming predominantly controlling, VehCo's diagnostic controls instead generate enabling effects by supporting learning and more informed, forward-looking decision-making. While increased cost scrutiny may signal early signs of a more controlling orientation over time, beliefs systems appear to stabilize the orientation of diagnostic controls during periods of ownership transition and heightened external pressure. Our findings thus add to prior research, emphasizing their balancing role within MCS (Simons, 1995; Widener, 2007).

A second interaction emerges between boundary systems and interactive control systems. Since the IPO, VehCo's boundary systems have become more restrictive, as insider information policies limit internal information sharing, particularly regarding financial data. While these rules do not eliminate dialogue entirely per se, they have introduced increased caution around discussing financial matters outside the designated insider group, reducing the information available for broader organizational discussion. Consequently, discussions concerning financial performance between VehCo's site managers and top management occur less frequently. This finding extends Simons' (1995) view that boundary systems define acceptable behaviour and Mundy's (2010) argument that they shape the conditions under which interaction occurs. At VehCo, however, boundary systems do not merely regulate interaction, they narrow its scope to the point that

certain interactions are effectively disabled. This suggests that boundary systems may not only shape the conditions for interaction but, in some cases, determine whether interaction occurs at all. Notably, this effect may be particularly pronounced in the early stages following a listing, as organizational actors navigate new regulatory requirements whose implications are not yet fully understood. In this respect, the findings resonate with Kraus and Strömsten's (2012) observation that IPO-related controls continue to evolve over time.

The final interaction concerns the relationship between diagnostic and interactive controls. While uncertainty has traditionally been the domain of interactive controls (Simons, 1995), the findings suggest that diagnostic controls can increasingly assume this function. At VehCo, relatively stable costs combined with volatile, on-demand revenue patterns resulted in increased monitoring of revenue indicators such as occupancy rates following the listing. This reflects a shift toward a more targeted use of diagnostic systems to track and manage uncertainty directly. Diagnostic and interactive controls thus become increasingly integrated, supporting prior research highlighting their complementary relationship (Hofmann et al., 2012; Widener, 2007). As Widener (2007) argues, strategies emerging through interactive processes require diagnostic systems to redefine critical success factors. Mundy (2010) similarly observes that diagnostic processes help structure interactive debate. Our empirical findings extend these insights by suggesting that, under heightened external scrutiny, diagnostic controls may increasingly become mechanisms through which uncertainty itself is rendered visible and actionable.

5.3 Theoretical Implications for MCS in an IPO Context

The findings discussed above collectively suggest that the IPO context constitutes a distinctive setting for management control systems. What sets the IPO context apart is that some controls emerge as regulatory requirements that partially shape their use before managers actively engage with them. This distinguishes the IPO context from other contingencies, where the organizational environment shapes *what* controls are introduced but leaves the question of *how* they are used largely to managerial discretion.

This distinction carries direct implications for Mundy's (2010) framework. Mundy argues that the enabling-controlling balance is "directly determined by managerial uses of MCS" (p. 515, Mundy). While she acknowledges external forces, she treats them as disturbances to, rather than

shapers of, that balance. The VehCo case nuances this view by showing that regulatory controls shape the balance differently depending on their nature. Where controls directly govern conduct, as with insider regulations, their behavioral consequences follow largely from the rules themselves, shifting the balance toward predictability. Where controls are more operational in nature, such as reporting requirements, managers retain meaningful discretion and, as the VehCo case illustrates, tend to enact these in enabling rather than controlling ways when organizational conditions allow. Even then, how managers exercise the control may depend on organizational conditions, as retained managerial ownership at VehCo may partly explain why control systems were used in enabling rather than controlling ways (King & Clarkson, 2015). Mundy's framework remains valuable where such discretion is preserved, but may require this additional layer when applied to contexts where managers, as Kraus and Strömsten (2012) note, must accept the "rules of the game" (p. 197). This suggests that future contingency-based research may benefit from distinguishing between controls that are managerially enacted and those that are institutionally imposed, as the two appear to follow different logics and may produce different organizational effects.

6. Conclusion

6.1 Key Findings and Practical Implications

The research question addressed in this thesis is:

> *How does the transition from private to public ownership influence the design and use of Management Control Systems?*

In answering this question and outlining the thesis' key contributions, it should first be acknowledged that the transition to public ownership introduces a complex set of organizational demands that are likely to differ across firms and contexts. Nevertheless, several important insights emerged. Overall, the study suggests that going public represents a distinctive organizational contingency, one that not only reshapes the formal design of MCS, but also the conditions under which those systems are used and interpreted in practice.

The first finding is that the public listing reshaped VehCo's MCS design beyond the formal obligations of being traded on a public stock exchange. While the listing directly introduced compliance-oriented controls, including segmented performance reporting and accrual-based accounting, the resulting changes to control design extend considerably further. Heightened scrutiny from capital market actors contributed to a broader restructuring of existing control practices, reflected in greater managerial involvement in commercial forums and the acceleration of strategic initiatives. Importantly, several of these developments had been anticipated internally but were accelerated by the IPO, suggesting that external transparency demands can advance the emergence of well-functioning control configurations more rapidly than internal design processes alone. This extends contingency-based research on MCS (Chenhall, 2003; Otley, 2016) by showing that the effects of public listing on MCS reach beyond formal compliance demands, reshaping the broader organizational logic through which control is exercised.

The second key finding is the central role of pre-existing controls in shaping how newly introduced controls are *used* in practice. Despite heightened accountability pressures, newly imposed controls were not solely used for strict monitoring and performance enforcement. Instead, they were predominantly used for planning and opportunity identification. Here,

pre-existing controls, such as deeply embedded values, played a key role, by reinforcing a long-term service orientation. This extends prior research on the interdependent nature of control systems (Mundy, 2010; Simons, 1995; Widener, 2007) by illustrating how existing controls shape the way newly introduced ones become embedded in organizational practice. Our findings also add to prior IPO research on the increasing emphasis placed on accounting metrics following a public listing (Dai et al., 2017; Kraus & Strömsten, 2012) by showing that such emphasis does not necessarily produce a predominantly controlling system.

The third key finding is that externally imposed controls vary considerably in how much room they leave for managerial discretion. While prior research acknowledges that external forces can disturb the balance of MCS (Mundy, 2010), the VehCo case suggests the relationship is more fundamental. The enabling-controlling balance that emerges depends not only on how managers enact controls, but on the nature of the newly introduced controls and how much interpretive space these leave open. Where that space is limited, the balance shifts, and as VehCo illustrates, the effects on information sharing can extend well beyond what the rules themselves strictly require.

Taken together, these findings carry practical implications for managers navigating a public listing. First, as MCS changes following an IPO can extend beyond regulatory compliance, managers should anticipate that heightened external scrutiny could necessitate broader restructuring of control practices. Second, pre-existing values and control configurations play a decisive role in shaping how newly introduced controls are enacted, suggesting that a thorough understanding of the existing control system is critical. Third, since not all externally imposed controls are equally subject to managerial interpretation, identifying early which controls can be steered and which cannot is critical for maintaining the balance between external accountability and internal organizational flexibility.

6.2 Limitations

Two limitations of this study should be acknowledged. The first relates to the scope of the data collection and the qualitative approach adopted. As with qualitative research in general, the findings are based on the researchers' interpretations of the data, which may introduce subjectivity and potential bias (Ahrens & Chapman, 2006). In addition, as the study focuses on

one company in depth, the findings may be less generalizable to other organizations operating in different organizational contexts (Tsang, 2014). These limitations were minimised as far as possible through the use of structured protocols for data collection and analysis. For example, a structured interview guide and coding was used to ensure a comprehensive understanding of the data, and the interpretations were conducted carefully and systematically to reduce bias.

The second limitation relates to the difficulty of isolating the effects of the IPO from other concurrent developments within the case company. While the findings suggest that changes in MCS are associated with the IPO, they may also reflect the company's growth. As these processes are closely interconnected, it is difficult to determine the extent to which the observed changes can be attributed specifically to the IPO. Although this issue was considered throughout the research process and the interview questions were designed to distinguish between IPO- and growth-related changes, it remains difficult to fully separate and assess the influence of each factor.

6.3 Future Research

The findings of this study point to several directions for future research. First, as the findings suggest that ownership structure may influence how external market pressures are translated into internal control practices, future studies could investigate firms with varying ownership structures to examine whether the effects of an IPO on MCS differ across organizational settings. Expanding the empirical scope in this way could also improve the transferability of findings across firms.

Second, given the contingency-based nature of MCS, future research could adopt longitudinal designs to examine how management control systems evolve over time following an IPO. More specifically, such studies could explore whether the balance between enabling and controlling uses of MCS remains stable in the long term, or whether continued exposure to capital market pressures gradually shifts organizations toward increasingly controlling forms of management control.

Ultimately, as the opening of this thesis illustrates, going public pulls organizations in competing directions simultaneously. Even though public ownership comes with capital market pressures

and transparency demands, the pre-existing control configuration can prevent heightened accountability pressures from resulting in a predominantly monitoring-oriented system. Whether this balance is sustained over time, and under what organizational conditions enabling effects prevail, remains an important avenue for future research.

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8. Appendix

8.1 Appendix 1: Interview Details

Interview	Date	Person	Length
1	10-04-2026	CFO	66 min
2	14-04-2026	HR Manager	48 min
3	16-04-2026	Market Manager	54 min
4	20-04-2026	CFO	57 min
5	22-04-2026	CEO	52 min
6	22-04-2026	Site Manager	59 min
7	30-04-2026	Business Developer	56 min

8.2 Appendix 2: Extract from Interview Guide

Interview Guide

Section 1: Background and general information (Approx. 5 min)

- Could you briefly describe your background and current role at VehCo?
- How would you describe the role of MCS within VehCo?
- What changed most noticeably in your work as a consequence of the IPO?

Section 2: Management Control Systems (Approx. 45-50 min)

Beliefs systems

- How would you describe VehCo's mission, vision, and core values?
- How are these communicated both internally and externally?
- Did anything about VehCo's mission, vision, or core values change after the IPO in terms of their content, meaning or communication?

Boundary systems

- What kinds of rules, policies, or guidelines shape what employees can or cannot do at VehCo?
- Have these rules/policies changed following the IPO?
- To what extent are these rules driven by internal priorities versus external regulations?

Diagnostic control systems

- What KPIs and performance measures are used to monitor performance?
- How are these KPIs reported and followed up?
- Are there incentive or reward systems linked to these measures?
- What role do budgets or forecasts play in the organization?
- In what ways, if any, are these systems different from how they were prior to the IPO?

Interactive control systems

- What forums or processes exist for discussing strategy, risks, improvements or new ideas?
- Do you have structured meetings for sharing information across different levels or parts of the organization? What kinds of topics are most often discussed at these meetings?
- To what extent are employees encouraged to suggest improvements or alternative approaches? Can you give an example of how this happens in practice?
- Have these discussions or forums changed in any way after the IPO?

Section 3: Future outlook (Approx. 5 min)

- Looking ahead, how do you expect the MCS at VehCo to evolve in the coming months or years?
- Are there any areas we haven't discussed that you consider important for understanding MCS at VehCo?

8.3 Appendix 3: VehCo's MCS

Management Control System	Pre-IPO	Post-IPO	Enabling/ Controlling
Beliefs Systems	Clearly articulated vision, mission and core values. Long-term orientation, emphasizing customer focus, innovation and responsiveness. Internal guiding principle reflected in "Doing it the [VehCo] way".	Mission, vision and core values remain unchanged. Long-term orientation is actively reinforced to avoid an excessive short-term focus.	*Enabling* both pre- and post-IPO, guiding employees in how to approach their work and interact with customers.
Boundary Systems	Confidentiality and safety policies in place, largely driven by customer requirements. Employee handbook outlining expected workplace behavior. Less formalized roles, with broader responsibilities across the organization.	Introduction of formal insider and communication policies regulating information disclosure. Policies (e.g., related to sustainability) were refined following the IPO as a result of the IPO-related due diligence process. Clearer role definitions with more specialized responsibilities.	While becoming more enabling through clearer roles and responsibilities, boundary systems are *predominantly controlling* post-IPO due to externally driven policies that limit information sharing.
Diagnostic Control Systems	Limited financial monitoring, primarily focusing on annual tracking of revenues and costs. No formalized or externally communicated financial targets. Aggregated performance measures with limited operational detail. Limited use of budgeting and forecasting.	More frequent and structured reporting. Improved data quality and adoption of accrual accounting. Formalized and externally communicated financial targets. More granular performance measurement, including operational metrics. Increased use of budgeting and forecasting.	A shift from a more controlling to a *predominantly enabling* role post-IPO, driven by increased visibility, earlier identification of deviations, and more informed decision-making.

Interactive Control Systems	Interactive discussions embedded informally in organizational culture, supporting a responsive and adaptive approach. Employees are encouraged to be involved and contribute with improvement suggestions. Less structured interactions, often occurring informally (e.g. at the "coffee table"). Open interactive discussions of financial performance across organizational levels.	More structured and formalized interactive processes. Sales and Market forum used interactively, involving top management and subordinates. Expanded scope of discussions, with increased emphasis on risk analysis. Continued encouragement of employee involvement and improvement suggestions. Reduced interaction related to financial information due to insider regulations.	*Enabling* both pre- and post-IPO, as these processes facilitate dialogue, information sharing, adaptability, and transparency.

8.4 Appendix 4: Use of GenAI

AI-generating tools, including OpenAI's ChatGPT 5.0 (https://chatgpt.com/) and Anthropic's Claude Sonnet 4.6 (https://claude.ai), have been used during the research process (February to May 2026) in accordance with the guidelines provided by the Stockholm School of Economics. Their use has been limited, purposeful, and carefully considered throughout the research process.

Primarily, these tools were used to support language clarity, including grammar, sentence structure, and overall flow of the text. This contributed to improving the readability and coherence of the thesis, enabling clearer communication of our arguments. In addition, during the early stages of the research process, AI tools were used as a supportive resource for inspiration and structuring.

Overall, the use of AI was approached with caution, and no AI-generated content has been included in the thesis without reflection and critical evaluation. Importantly, AI tools were not used for data analysis, interpretation of empirical findings, or the development of conclusions. All analytical content, interpretations, and final outputs reflect our own thinking and academic judgement.