Management Control Systems and their Connection to Exceptional Growth - an internal perspective

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ABSTRACT

This paper is concerned with the use of management control systems (MCSs) within high growth firms (HGFs) to support rapid growth. Considering that a lack of MCSs has been identified as a major cause of failure among start-ups, as well as that MCSs have been claimed to enable firms to grow more during their early years, this is a highly interesting topic for scholars as well as entrepreneurs. However, despite the exceptional opportunity that HGFs provide in examining this topic, there is a lack of contemporary research on how HGFs use MCSs to support their growth. To fill this gap a multiple case study was conducted, investigating how Simons’ (1995) levers of control were used to support growth within 12 different HGFs. Through drawing upon data from interviews with 19 different key people it was then found that MCSs support growth in various ways. Different boundary systems were found to increase chances of firm survival and provide a platform for growth. Additionally, the use of interactive systems was identified as a potential characteristic of HGFs. Moreover, the research questions former assumptions on the importance of forecasting.

Keywords: HGF, gazelle, MCS, growth, Simons levers of control
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ABBREVIATIONS

BI - business intelligence
BMS - business management system
CEO - chief executive officer
CFO - chief financial officer
COO - chief operating officer
CRM - customer relationship management
ERP - enterprise resource planning
HGF - high growth firm
HR - human resources
IT - information technology
KPI - key performance indicator
KSF - key success factor
MC - management control
MCS - management control system
OLC - organizational life cycle
1. INTRODUCTION

The introduction provides a background on the research area, leading up to the problem formulation and the aim of the study, as well as its anticipated contribution. This is followed by a definition of the research question, the limitations of the study, and an outline of the rest of the paper.

1.1 Background

The following thesis concerns the use of management control systems (MCSs) in the context of rapidly growing firms, so called high growth firms (HGFs) and gazelles. This is a highly important and interesting subject for researchers as well as managers of start-ups, considering that MCSs can help to make or break gazelles. Most start-ups fail within their first 5-10 years, and a lack of MCSs have been identified as a major cause of their failure (Lee & Cobia, 2013; Statistic Brain, 2017). The commonly accepted organizational life cycle (OLC) theory has for a long time emphasized the importance of MCS adoption to ensure firm survival (Grenier, 1972/1998). The theory declares that as a firm grows and the number of employees successively increases, it will become impossible for managers to control the firm solely through informal social interaction (ibid). Contemporary research further supports the notion that the use of MCSs can increase the likelihood of survival for start-ups (Lee & Cobia, 2013).

The benefits of MCS adoption does not stop after ensuring survival, they can also help increase firm growth. If managers of start-ups understood the importance of using MCSs to support growth, a greater number of start-ups might grow even more (Davila, Foster & Jia, 2010). For example, by the time firms reach three years old, approximately 50% have come to adopt MCSs such as financial planning systems in the form of operating budgets, cash flow projects, and sales projections (Davila & Foster, 2007). Firms that adopt operating budgets at an early stage have been shown to grow at a much more rapid pace compared to their competitors (Davila & Foster, 2010).

However, start-ups and HGFs are commonly associated with entrepreneurship (Davila & Foster, 2009; Sargent & Matthews, 2015), and MCSs have in turn long been perceived as harmful to entrepreneurship (Davila & Foster, 2009; Kanter, 1985; Schuler, 1986; Simons,
The reason for this is that MCSs have been viewed as contradictory to entrepreneurial features such as flexible planning, visionary leadership, (Kanter, 1985) and innovation (Goodale et al, 2011; Simons, 2000). Control have also been associated with bureaucracy, which generally has been seen as hindering to creativity and innovation (Thompson, 1965).

On the other hand, contemporary research claims that MCSs may be supportive of entrepreneurship and innovation (Bedford, 2015; Davila, Foster & Li, 2009; Massaro, Bardy & Zanin, 2011). This is because MCSs are believed to relieve managers from time-consuming tasks, as well as provide better information (Flamholtz & Randle, 2007). Furthermore, this new perspective on the role of control in firms presents control as an integral part of a dynamic organization (Davila, Foster & Oyon, 2009), and MCSs as crucial for firms to fulfill their growth potential (Davila & Foster, 2009). MCSs are hence viewed as highly important systems for managers of growing start-ups, and they can aid managers in dealing with change (ibid).

Existing studies on MCSs tend to focus more on investigating the existence of MCSs and their characteristics, rather than how different MCSs are used (Su, Baird & Schoch, 2015). Some studies investigating MCSs in HGFs have further focused on some isolated modes of control such as formal controls (Achtenhagen et al, 2014). This is despite that firms in a growth stage are more likely to use less of such bureaucratic controls (Auzair, 2010). Moreover, commonly accepted control frameworks identify control as a set of several different modes which work together, including informal controls (Malmi & Brown, 2008; Simons, 1995). Existing research has also indicated that the role that MCSs play in start-ups who are trying to adapt to growth is different from to the role that MCSs have played traditionally (Davila & Foster, 2009).

1.2 Problem Statement

Simons (1995) claimed that it is essential not only for theorists, but also practicing managers, to understand how to control an organization in a highly competitive market. This study argues that if managers or founders knew how to utilize MCSs to support and handle growth, they could possibly achieve greater control of their firms while growing more rapidly.

According to Davila, Foster and Jia (2015), start-ups that operate in competitive industries, and experience higher growth, stand to gain the most value from implementing MCSs. Research has also shown that measuring operational performance, and using contribution margin analysis to evaluate performance, as well as working with profit forecasts, results in faster firm
growth in earlier years (Lee & Cobia, 2013). The reason being that these systems provide important information for decision making. Meanwhile, the research on high growth firms can be argued to have had a too great emphasis on how much firms grow, rather than how they come to grow (McKelvie & Wiklund, 2010). With growth comes increased complexity (Roberts, 2004) and a need for change in how to manage a firm (Davila, Foster, & Jia, 2010). It is thus in the stage of growth that firms adapt formal MCSs (Moores & Yuen, 2001). Davila and Foster (2005) have found that for instance budgets seem to be associated with better addressing information and control needs which growth imposes on start-ups. Simons (2000) has indicated that rapid growth creates a need for more systems. Nevertheless, little is still known about how successful rapid growing firms, such as gazelles and HGFs, make use of MCSs to support their exceptional growth.

The lack of information regarding how HGFs incorporate MCSs in their practices to support growth is regrettable considering that 71% of firms fail within their first 10 years (Statistic Brain, 2017), and lack of; planning, knowledge of financing, and record keeping, are major reasons for failure among entrepreneurial firms (Lee & Cobia, 2013; Statistic Brain, 2017). Neither all firms that start off as gazelles remain gazelles (Parker, Storey & van Witteloostuijn, 2010), and a potential reason for failure could be that it is difficult to manage firms as they grow without established management systems such as various MCSs (Grenier, 1972/1998). Through investigating how HGFs have incorporated MCSs to support their growth, these problems are addressed by providing important guidelines for entrepreneurs on how to strengthen the growth and control of their business.

To summarize, the issue of start-up failures and control struggles caused by rapid growth, could to some extent be dealt with by early on incorporating MCSs into firm practices. By providing examples of how this has been done by HGFs, potential solutions are brought forward, and a contribution is made to the existing literature on MCSs in a growth context.

1.3 Research Area

This paper falls mainly within the frame of MCS research. However, the study somewhat inevitably touches upon the field of strategy research in relation to MCSs. This is due to that the paper seeks to apply Simons’ (1995) strategic framework and different levers of control in investigating how MCSs are used in HGFs. The issue of firm growth is discussed throughout the whole paper with an emphasis on its connection to different MCSs and how those systems
are used. As HGFs and gazelles are being researched, this further means that the study to some degree also falls within the area of entrepreneurship literature.

1.4 Purpose and Research Question

The aim of this thesis is to investigate how HGFs use MCSs to support growth and deal with challenges imposed by growth. Additionally, the research aims to find out what types of MCSs are perceived as most important and why. Thus, this paper poses the following research question:

- How do HGFs use management control systems to support rapid growth?

1.5 Limitations

One limitation of the study is that it only concerns firms that grow mainly organically. Therefore, the results might not speak for all HGFs, especially not those who grow mainly through mergers and acquisitions. The same reasoning applies to manufacturing firms as the research is limited to firms providing services.

Another potential limitation of the study is that it applies Simons’ (1995) framework of control, which together with MCS research in general, have been criticized for its ambiguity (Malmi & Brown, 2008; Tessier & Otley, 2012). However, the framework still provides a commonly used way of discussing MCSs, and this limitation should not make the findings any less interesting. This limitation was also overcome by the development of a thematic model in order to handle the ambiguity of Simons’ (1995) framework.

1.6 Disposition

The remainder of this paper will be presented in the following way. First a theoretical framework will be provided, summarizing various existing research within the field of MCSs and growth. Thereafter the method will be presented, illustrating how the research was conducted, followed by the presentation of the empirical data. The paper continues with an in depth comparative analysis leading up to the conclusions on how MCSs can facilitate growth. Lastly, this is followed by some suggestions for future research.
This chapter describes the concept of HGFs, gazelles, and MCSs. Furthermore, it presents previous research on the topic of MCSs in relation to growth. The chapter finishes by the presentation of a thematic model based on the literature review.

2.1 What are High Growth Firms and Gazelles?

The issue of firm growth is something that has interested scholars for a long time (Epstein, 1928; Greiner, 1972/1998; Hambrick & Crozier, 1985; Penrose, 1959). David Birch (1979, cited in Poldahl, Andersson, & Johansson, 2011), first coined the term “gazelle” in the late 70s to describe rapidly growing firms whom he believed stood for most new job creation. Birch’s definition was then that a gazelle should have a minimum annual increase in growth of 20% during a 5-year period. Alternatively, the gazelle firms must have doubled their number of employees during the same period (ibid). Furthermore, gazelles only stand for a margin of all firms (Poldahl, Andersson & Johansson, 2011), and are mainly small and medium sized enterprises (Davidsson & Delmar, 2006). Simply put, a gazelle is a firm growing exceptionally fast in comparison to standard firms (Senderovitz, Klyver & Steffens, 2015).

Today, Birch’s (1979) definition of gazelles has been reworked, and although there is no universal agreement on the definition (Senderovitz, Klyver & Steffens, 2015), contemporary research is dominated by the use of Eurostat - OECD guidelines to define if an organization classifies as a HGF or not (Poldahl, Andersson, & Johansson, 2011). According to Eurostat - OECD (2007, p. 61) guidelines, a HGF is a firm that fulfils the following criteria:

Minimum annual average growth of 20% during a three-year period - measured either in terms of turnover or employees, under the conditions of a minimum of 10 employees.

The condition of a minimum of 10 employees is applied to avoid distortion of organizational growth. According to the same guidelines, a gazelle is then a particular type of HGF less than five years old (ibid). These are thereby the working definitions of HGFs and gazelles used in this thesis.
However, the word gazelle may still be used by society to describe a general HGF, not necessarily fulfilling the ‘young firm’ criteria. This is the case with the Swedish newspaper Dagens industri, which makes a yearly nomination for what they call the ‘gazelle prize’, for which less than one percent of the country’s firms qualify (Jurek Rekrytering & Bemanning, 2017). The Dagens industri gazelle nomination criteria are similar to Eurostat - OECD’s criteria for HGFs, and they do not have an age requirement (Di gasell, n.d). This nomination is only given to firms who have grown a substantial amount organically (ibid).

2.1.1 Types of Growth

Firms can grow either through mergers and acquisitions, or organically (Roberts, 2004). What is more, firms that grow organically can in a first stage grow by expanding their sales while maintaining current practices and performance. However, this can only be done to a certain extent, and after a while firms have to construct and evolve new opportunities in order to continue their organic growth (Roberts, 2004). Depending on how a firm grows, through mergers and acquisitions or organically, the internal structure of the firm will be affected accordingly (Roberts, 2004; Sandelin, 2008). The choice of growth type can also affect different MCSs in different ways. For example, firms that grow by acquisition may adopt existing management systems firmwide (Roberts, 2004). In addition to this, post-acquisition MCSs may be influenced by the pre-existing culture within the merging firms (Jordão Souza, & Avelar, 2014). Unlike this, firms that grow organically must develop their own systems.

2.2 Management Control & Management Control Systems

Anthony (1965) defined management control (MC) as a process where firms make the most effective use of resources in order to support the firm’s general goals. Building upon that, Merchant (1985) defined control as keeping things on track and emphasized that good control leaves less room for undesirable outcomes. One way to exert this control and steer the firm in the desired direction is through MCSs (Chenhall, 2003; Flamholtz, Das & Tsui, 1985; Langfield-Smith, 1997; Simons, 1995).

Flamholtz, Das and Tsui (1985) stated that MCSs are a means to affect behaviours within a firm and in turn steer the firm into a certain direction. Similarly, Simons (1995) viewed MCSs as formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities and he saw it as a system for managers to be able to carry out certain strategies (Simons, 1995, p. 5). It is believed that when objectives are differing among
individuals or business units, MCSs can be used to find a common ground and work towards the same goals (Flamholtz, 1983).

Anthony, Dearden and Bedford (1989) divide control into two types of controls - *formal controls* and *informal controls*. Formal controls are often synonymous with budgets (Langfield-Smith, 1997), plans and various other monitoring systems (Simons, 1995). Langfield-Smith (1997) emphasizes that formal controls are both financial and feedback-oriented, as they consist of results- and output controls. According to Langfield-Smith (1997, p. 208) the aim of MCSs is to guarantee a desirable outcome that will be attainable through monitoring, measuring and taking corrective actions. Informal controls are more ambiguous compared to formal controls. They are defined as a part of an organization’s culture and consist of controls based on shared values and norms (ibid). Chenhall (2003) argued that the focus of MCSs used to be on formal controls, but over time it has come to involve other parameters found in more informal controls. Similarly, Ferreira and Otley (2009) along with Langfield-Smith (2006) argued that Anthony’s (1965) work on MC set a too narrow basis on which MCSs came to be viewed. A view which did not consider the full complexity of MCSs. As firms grow, different types of MCSs seem to be present to different extents at different times (Simons, 1995).

### 2.3 Firm Growth and Management Control Systems

Greiner (1972/1998) have presented five different stages of firm growth, all associated with organizational crises. According to Greiner (1972/1998), the management solutions to these crises determine whether a firm will move on to the next stage of growth. The beginning of a firm’s life is usually a *creative* stage were communication is informal, and not much time is spent on management activities. However, as the firm grows, it becomes impossible to handle communication through informal personal control. As Collier (2005) elaborates that it requires frequent interaction between managers and employees. In addition to this, it becomes difficult to motivate employees through dedication to the firm or product (Greiner, 1972/1998). More capital needs to be gathered, and there is a need for expanded accounting procedures to secure financial control. If the firm manages to survive this stage of growth, they will move on to the second stage of growth called *direction*. It is in this stage that work standards, budgets, and formal accounting systems are adopted. After this stage comes the stage of *delegation*, followed by a control crisis and the growth stage of *coordination*, which is characterized by formal systems. The last stage of growth follows a crisis of mistrust between line and management. This growth stage is called *collaboration* and is characterized by teamwork and integrated real
time information systems (ibid). In short, as firms grow, they become more complex, driving a need for change in the management of the firm, and thus the adoption of MCSs (Davila, Foster, & Jia, 2010; Greiner, 1972/1998; Moores & Yuen, 2001). Growth and MCSs have been shown to go together, not to be mistaken for that MCSs in themselves drive growth (Davila & Foster, 2007; Davila, Foster, & Jia, 2010; Lee & Cobia, 2013). According to Sandelin (2008, p. 324), there is an increasing body of literature that suggest that formal management accounting systems (MASs) facilitate the growth of a firm (ibid). What is more, MCS adoption signals a firm’s managerial quality and potential for future growth (Davila, Foster, & Jia, 2015, p. 209).

There could be several reasons behind the association between growth and the adoption of MCSs (Davila, Foster & Jia, 2010). For example, the uses of MCSs are perceived as a quality control for financiers, which lead to that the application of MCSs results in higher valuations from investors (Davila, Foster & Jia, 2015). MCSs further work as supporting systems when adapting to changing conditions (Davila & Foster, 2009). They also make goals more stable and explicit in uncertain environments, like those under high growth (Davila, Foster & Jia, 2010). Flamholtz and Randle (2007) argued that MCSs are important for firm growth since they free managers’ time and attention, as well as provide important information. In addition to this, increase in firm size is itself a driving force in the emergence of MCSs, and as firms grow bigger, the use of management systems increases efficiency (Davila, Foster & Jia, 2010). Specific MASs are viewed to sustain growth by providing an infrastructure that makes it easier for firms to survive the entrepreneurial crisis (Lee & Cobia, 2013). The entrepreneurial crisis is a situation which occurs as firms gradually become more complicated in structure, and greater firm stewardship is needed. Similarly, Davila (2005) identifies MCSs as a key element in managing tensions caused by growth within young firms. More specific systems found to be useful in growth stages or affect growth are for example budgets (Davila & Foster, 2005), and performance measurements (Lee & Cobia, 2013). Budgets then seem to be associated with better addressing information and control needs imposed by growth (Davila & Foster, 2005).

2.3.1 Indirect Growth Support

As explained in the previous sections, MCSs clearly affect growth (Davila & Foster, 2005; Grenier, 1972/1998; Lee & Cobia, 2013), and are often affected by growth (Davila, Foster & Jia, 2015). However, it would be naive to suggest that MCSs in themselves are drivers of growth (Davila, Foster & Jia, 2010). Nevertheless, it has been shown that MCSs can support at least two different drivers of growth (Demir, Wennberg & McKelvie, 2017), namely
innovation (Davila, Foster & Li, 2009; Massaro, Bardy & Zanin, 2011), and strategy (Naranjo-Gil, 2016; Simons, 1995). More specifically, MCSs can be important for innovation because they produce knowledge (Massaro, Bardy & Zanin, 2011). The systems therefore play an important role in both the process of problem identification, and in developing new solutions. Through this facilitation of knowledge management, MCSs sustain innovation strategy (ibid).

The use of MCSs has been shown to aid the formulation and execution of strategy (Naranjo-Gil, 2016). Not surprisingly considering that the purpose of MCSs is to provide useful information for decision making, evaluation, and planning (Merchant & Otley, 2006). MCSs can further aid strategy by identifying where actions of intervention are needed (Jannesson, Nilsson & Rapp, 2014). In addition to this, a combination of strong formal and informal systems maximizes efficiency (Jaworski, Stathakopoulos & Krishnan, 1993), and support strategy by allowing for planning and follow-up, as well as communication of the strategic direction (Jannesson, Nilsson & Rapp, 2014). However, there is not only one single means to achieve efficiency, rather there is equifinality (Sandelin, 2008). Equifinality means that it is possible to use different control systems to reach the same results in similar situations (ibid).

Still, certain MCSs such as strategic planning has commonly been found to have a strong link to growth (Demir, Wennberg & McKelvie, 2017). For example, Shuman, Shaw and Sussman’s (1985), study of America’s at the time 500 most rapidly growing firms, showed a direct correlation between their growth and formalized strategic planning. On the other hand, Siegel, Siegel, and Macmillan (1993), caution from using strategic planning as a predictor of growth. However, they found significant differences between average firms and HGFs use of formal business plans, regarding continuous updates, priorities, and goal setting. Furthermore, Smallbone, Leigh, and North (1995) emphasize the importance of a strong commitment to growth among leaders of HGFs. In addition to this, strategic planning has been found to play an important role for implementing changes necessary to achieve future growth (Sims & O’Regan, 2006).

Lastly, different types of MCSs further play a different role for strategy. For example, diagnostic control systems, seem to have a positive effect on the implementation and control of strategic planning. Whereas interactive control systems seem to have an impact on the emergence of strategy, by facilitating communication and thereby stimulate the emergence of
innovative ideas, that may deviate from the original strategy (Naranjo-Gil, 2016). These systems will be explained further in the next section.

2.4 Simons’ Levers of Control – an Analytical Framework

Simons levers of control is a framework created by Robert Simons. The framework, presented in Figure 1, has its point of departure in business strategy. Simons (1995) argued that business strategy is the first level in the framework, as it highlights how a firm intends to interact with the outside world. The next level involves four so called key constructs that are essential to comprehend in order to successfully execute a business strategy. These four key constructs are risks to be avoided, core values, critical performance variables and strategic uncertainties, and every key construct is managed by a certain system. Simons (1995) referred to the systems as levers, with the four different levers being belief systems, boundary systems, interactive control systems and diagnostic control systems. An effective strategy execution is affected by the four levers through opposing forces. Simons (1995) considered interactive controls and belief systems the positive forces instilling creativity, whereas diagnostic control systems and boundary systems were the negative forces that enforced obedience and constraint. Furthermore, Simons (1995) argued that it is critical for managers to choose the levers and carry them out accurately, as the choice of levers affects the likelihood of achieving goal.

![Figure 1: "Controlling business strategy: Key variables to be analyzed" Source: Simons, 1995, p. 7](image)

The primary purpose of an organization is to achieve its goals (Simons, 1995). However, organizations are also social constructs where individuals attempt to balance their own needs and those of the organization. This leads to tensions that arise when trying to align human behaviour with business strategy and the organization. Balancing these tensions is at the heart of implementing a strategy (Simons, 1995, p. 13). An effective control should therefore consider the dynamics of strategy making, value creation, and human behaviour. The tensions
inherent in each dynamic need to be balanced and reconciled to ensure effective control of firm strategy (ibid). An example of such a balancing act that is crucial for value creation is between the allocation of attention, and the identification and choice to act upon arising opportunities (Simon, 1995). According to Simons (1995), firms face unlimited opportunities, and individuals can even create their own opportunities through creativity and innovation. However, new ideas cannot be fulfilled without devoting scarce firm resources such as time and attention to them. Effective management should therefore focus attention to opportunities linked specifically to their firm strategy (Kotter, 1986).

If controls are not in place, efficiency can be negatively affected due to conflicts between individuals’ interests and their desire to contribute to the firm (Simons, 1995). This can in turn lead to problems with shirking. On the other hand, strong leaders can reconcile opportunistic-seeking individuals with the firm’s interests, which can lead to productive opportunity seeking. However, rules, pressure to conform, and sanctions, which seek to control human behaviour, can be counterproductive to beneficial opportunity seeking and innovation (ibid).

The four levers of control play an important role in managing these tensions (Simons, 1995). Interactive- and belief systems define and expand the opportunity space, whereas the boundary- and diagnostic systems narrow the attention to the strategic domain and immanent opportunities (ibid).

2.4.1 Interactive Control Systems

Interactive control systems cannot be considered one specific type of control system (Simons, 1995). They are rather different kinds of control systems that can be used in an interactive way. With interactive MCSs, firms can create a dialogue between superiors and subordinates (Mundy, 2010). A control system becomes interactive when senior managers initiate “...new programs and milestones, monthly reviews of progress and actions plans, and regular follow-up of new market intelligence” (Simons, 1995, p. 96). On top of that, the idea is to involve different employees with various backgrounds that in turn can help shed new light upon existing beliefs within a firm, and at best question existing firm activities in order to improve them (Mundy, 2010; Speklé, 2001).

Simons (1995) along with Naranjo-Gil and Hartmann (2007) argue that managers choose to use control systems interactively to aid a firm with its strategy development, as well as show
what the firm’s priority is. A vital concept in relation to interactive control systems is strategic uncertainty, meaning the unpredictability that can threaten a firm’s current strategy (Simons, 1995, p. 94). With the fluctuating nature of strategic uncertainty, it becomes difficult to define the strategy and monitor it with diagnostic control systems. Nevertheless, by involving employees on various levels with different backgrounds, information and knowledge gaps can possibly diminish and help reduce the strategic uncertainty (Mundy, 2010). According to Simons (1995), interactive systems are further adopted at the large and mature stage of a firm’s life and are together with belief systems the positive forces of strategy implementation.

2.4.2 Belief Systems

Simons (1995, p. 34) describes a belief system 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”. Furthermore, there is a connection between the business strategy and the core values that are adopted through the organizational definitions (Simons, 1995). Simons (1995) argued that through discussion of formal belief systems among senior managers and subordinates, the “commitment of participants to organizational goals and missions” may increase (ibid, p. 37). The three ways in which belief systems are demonstrated in an organization are through statements of purpose, mission statements and credos (ibid). However, for any of these three to be acknowledged as a legitimate system component, Simons (1995) emphasized that they have to fulfil three criterions being: formal, information-based and used by managers to maintain or alter patterns in organizational activities (Simons, 1995, p. 36).

When there are no urgent obstacles in a firm, belief systems act as the motivational force aiding employees in their pursuit of value creation (Simons, 1995). However, the importance of belief systems is also apparent when obstacles arise with strategy implementation (ibid). Simons (1995) stressed that belief systems are especially important in such scenarios because they aid the employees in their choice of problem and solution.

2.4.3 Boundary Systems

Where belief systems can seem ambiguous and offer little aid to build incentives upon, boundary systems become useful (Simons, 1995). Simons (1995) argued that boundary systems impose important limits on the organizational search motivated by belief systems (ibid, p. 39). If boundary systems are not in place, individuals search will be unlimited and out of control,
which in turn can create a lack of focus and a drainage of firm resources (ibid). However, Simons (1995) stated that it is important that managers do not dictate how subordinates should find opportunities. Instead, managers should clarify what subordinates should not look for. This creates a clearly stated space in which subordinates are free to use their inventiveness to come up with the next best opportunity (ibid). Considering that humans are seen as opportunity-seekers, it becomes even more important that boundary systems are in place to avoid unexpected business risk (Simons, 1995).

There are two types of formal boundaries systems - *strategic boundaries* and *business conduct boundaries* (Simons, 1995). Strategic boundaries help define what type of business opportunities that are not of interest. This will help a firm to avoid undesirable strategic directions (ibid). Simons (1995) explained that checklists and planning systems, such as strategic planning, offer support in what opportunities to seek out and which ones to not go after (Simons, 1995). Moreover, a commonly used boundary systems is the capital budgeting system, also known as the asset acquisition system (ibid). With this system senior managers can establish a minimum rate of return for which opportunity-seeking subordinates have to follow if they propose asset acquisitions (Simons, 1995, p. 51).

Business conduct boundaries are boundaries that clarify certain business conduct that is acceptable in a firm (Simons, 1995). In addition to this, Gatewood and Carroll (1995) cited in Simons (1995) emphasized that business conduct standards are based on (1) society’s laws, (2) the organization’s belief systems, and (3) codes of behaviour promulgated by industry and professional associations (Simons, 1995, p. 42). There is a difference in the straightforwardness of business conduct among firms. The reason for this is that riskier business strategies require more precise business conduct (Simons, 1995). Thus, to prevent subordinates from making mistakes in unpredictable situations, senior managers enforce clear instructions on what is tolerable behaviour (ibid). In firms where there is an emphasis on meeting targets, it is even more important to enforce business conduct due to the risk of manipulation of figures to meet targets (ibid). Simons (1995) stressed that this is especially important for firms that employ diagnostic control systems, as employees should be aware of what behaviour is tolerable.

2.4.4 Diagnostic Control Systems

Diagnostic control systems are often described as feedback systems that allow for monitoring of firms, units or individuals performance (Chenhall, 2007; Langfield-Smith, 2006; Matsuo
and Matsuo, 2017; Simons, 1995). Furthermore, Matsuo and Matsuo (2017) emphasized that the purpose of diagnostic control systems is to make possible an assessment of a firm’s goal achievement in relation to its objectives and plans. Similarly, Simons (1994) along with Langfield-Smith (2006), explained that diagnostic control systems are used to identify and adjust discrepancies from expected performance standards. Diagnostic control systems are many times found in the form of business plans, project monitoring systems, goal and objective systems, profit plans and budgets (Simons, 1995). Additionally, Simons (1995) highlights the importance of critical performance variables (KPV). These are variables that need to be completed if a firm’s strategy is to be accomplished. Another point is that critical performance variables, synonymous with key success factors (KSF), can impact a firm’s likelihood of achieving its targets, or support the firm to gain higher margins. These types of output measures are then linked to formal incentives (ibid).

2.5 Thematic Model

Apart from the literature review providing a background upon the phenomenon to be studied and allowing for identification of opportunities for future research, it also enabled identification of important themes. This is highly important as according to Ryan and Bernard (2003, p. 86), “without thematic categories, researchers have nothing to describe, nothing to compare, and nothing to explain”. The thematic model, presented in Table 1 below, summarises key expressions from the literature review under each of Simons’ (1995) levers of control. The model allows for a consistent and clear way of discussing different types of control and will be used throughout the rest of the paper. More specifics on how the model was developed and used in designing, interpreting, and analysing the research will be presented in the methodology.

<table>
<thead>
<tr>
<th>Simons (1995)</th>
<th>Diagnostic Control System</th>
<th>Interactive Control System</th>
<th>Belief System</th>
<th>Boundary System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levers of Control</td>
<td>feedback system, profit plans, budgets, formal systems, bureaucracy, individual performance, monitoring, KSF, KPV, KPI</td>
<td>interactive, communication, dialogue, involvement, review &amp; regular follow-up, creativity, knowledge sharing, strategic uncertainty, questioning</td>
<td>culture, core values, direction, commitment, purpose, mission statement, ambiguous, informal</td>
<td>limitation, constraints, narrow focus, risk avoidance, checklists, planning systems, capital budgeting systems, asset acquisition system</td>
</tr>
</tbody>
</table>

*Table 1: Thematic model*
3. METHODOLOGY

This chapter presents the design and strategy of the research and thoroughly describes the way in which the empirical research has been conducted. The gathering and way of interpreting different data is presented, as well as the motivation for the chosen courses of action. Finally, the chapter ends with a discussion of the considerations that have been taken in regard to ethics, transferability, and credibility.

3.1 Research Design

This study seeks to investigate how HGFs use MCSs to support their growth, an exploratory multiple case study approach was chosen as the research design for this study. This choice was made because case study research has been argued to be the best way of exploring ‘how’ and ‘why’ questions (Yin, 2014), and allows for retrieval of in depth information (Bryman & Bell, 2015). Thereby it was considered a good design for investigating how high growth firms use MCSs to support and handle rapid growth. Another motive behind the chosen design is that case studies generally are considered the best way of investigating contemporary phenomenon within real-world contexts (Yin, 2014). A scenario that could be argued to fit the case of modern HGFs very well, considering their outstanding rate of growth in comparison to other firms (Senderovitz, Klyver & Steffens, 2015).

Although single case studies entail all those benefits, they are concerned only with the nature and complexity of the case that is being studied (Stake, 1995). Therefore, a multiple case study approach was deemed the best fit since it allows for comparison of findings (Bryman & Bell, 2015). This allows for determination of more common and unique ways of working with tools in the specific context (Bryman & Bell, 2015), in this case the tools being MCSs and the context HGFs. Thereby the findings should be more likely to be of interest to a greater number of managers, considering that the same solution may not be the best fit for all cases (Donaldson, 2001), and as more cases provide more potential solutions.

To summarize the plan of the research, an overview of the preliminary research design, showing the different steps in a sequential order, is presented in Figure 2 below. First a literature review was conducted that was then summarized into a thematic model based on Simons’ (1995)
framework. The thematic model, apart from being an aid in developing interview questions, was also used to interpret and analyse the empirical data. This is illustrated by the black arrows in the figure. Consequently, the thematic model has a big impact on the whole paper.

![Diagram](image)

**Figure 2: Overview of research design**

### 3.1.1 Research Strategy

As this study is concerned with investigating *how* HGFs use MCSs, a qualitative research strategy was considered the best approach. This is because qualitative research seeks to achieve an in depth understanding of *how* and *why* things occur, whereas quantitative research mainly shows what and how often something happens (Cooper & Schindler, 2014). Qualitative research is therefore more suitable when the purpose of the study is of an investigating nature (ibid). In addition to this, qualitative research and case studies allow for multiple ways of gathering data (Bryman & Bell, 2015; Cooper & Schindler, 2014). A benefit from this is that it enables both data gathering from interviews, to understand managers perspectives and reasoning, as well as from e.g. public firm vision and mission statements which are part of firms’ belief systems.

This study aims to contribute to the research on non-formalized control, an area which has been argued to have a lack of case studies (Berry et al, 2009). In summation, a qualitative research strategy is therefore the chosen approach for this research as it best allows for investigation of all of Simons’ (1995) aspects of control, as well as manages to provide an internal perspective.

### 3.2 Selection Process of Case-Firms

To conduct the research, HGFs were targeted as they, due to their exceptional growth, should represent unique opportunities to study MCSs in growth firm contexts. Different HGFs were then located through Dagens industri’s at the time, most recent list of gazelle firms (Kiepels, 2017). There were three main reasons for using this list as the selection base. Firstly, the criteria
to be on the list fulfills all Eurostat’s criteria for a firm to be classified as a HGF. Secondly, it ensures that all selected firms are listed as gazelles under the same criteria. Thirdly, it makes it more likely that the firms still are in a stage of rapid growth compared to the gazelle lists from previous years.

Thereafter the geographical area of Stockholm and Uppsala was targeted. This decision was made due to Stockholm’s current reputation as a start-up hub in several newspapers (e.g., Business Insider Nordic, 2017; Coleman, 2014; Davidson, 2015), and due to Uppsala being relatively close and big enough to belong to the same region. In addition to this, a focus on firms which in some form offer services was taken. This decision was made due to two primary reasons: (1) Manufacturing firms are concerned with costs such as equipment and materials (Caplan, Melumad & Ziv, 2005), which were thought to affect how they use MCSs. A comparison between the use of MCSs within service firms and manufacturing firms was therefore deemed less reliable to draw conclusions from applicable to both segments. (2) Because the service sector stands for over 70% of employment in OECD countries and has been argued to have potential to strengthen economic growth (OECD, 2005), it was deemed a field of study relevant for many stakeholders.

After these limitations were set, a second search of each potential case-firm was made on “www.allabolag.se”1. In this search the growth rate of the firms was controlled once again, and a check for parent companies were made. Most firms that were subsidiaries were then excluded. The reason for this was that parent companies can influence their subsidiaries (Janssens, 1994). Therefore, independent firms should, to a higher degree, decide on their own MCSs and strategy. Meaning that researching mainly independent firms might lead to greater insight of the reasoning behind MCS adoption.

Thereafter, emails were sent in a somewhat sequential order to firms who met the criteria’s above and were within the 400 most rapid growing firms on Dagens industri’s list of gazelles. Contact was then followed up by phone or email to schedule meetings in person. In the end, this resulted in a sample of 12 different case-firms.

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1www.allabolag.se is a part of the UC-group which is Sweden’s leading business and credit information company. The webpage provides business information about Swedish firms.
3.2.1 Presentation of Cases

Out of the 12 different cases, six are consulting firms within different fields such as IT, life science, real estate and management. Two of the firms offer technological services in the form of software development and software for event planning. In addition to this, one firm is an accounting firm which offers digital accounting services. Another case-firm is a commercial agency which offers services in the form of education and commercial solutions and has been awarded the ‘gazelle prize’ on multiple occasions. This is also the case of two of the previously mentioned firms, which makes them particularly interesting for this study. Lastly, the two remaining cases is a translation agency and an aircraft catering firm. Although the catering firm offers a finished product, it was deemed relevant for the study given that catering was viewed as a service to clients. Moreover, the mix of different service firms should provide a greater base for generalizability of the results.

Some information about the different cases is summarized in Table 2 below. For ethical reasons the firms remain anonymous, but to better distinguish each firm they will hereon be referred to as Firm A, B, C, etc. These aliases are used in the presentation of the empirical findings so that whoever interested can check the firms in terms of growth rate, number of employees and age.

<table>
<thead>
<tr>
<th>Firm alias</th>
<th>Business type</th>
<th>Growth rate % 2013-2016</th>
<th>Number of employees</th>
<th>Founding year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Staffing &amp; Consulting</td>
<td>1025</td>
<td>20</td>
<td>2011</td>
</tr>
<tr>
<td>B</td>
<td>Management Consulting</td>
<td>1517</td>
<td>11</td>
<td>2012</td>
</tr>
<tr>
<td>C</td>
<td>Life Science Consulting</td>
<td>339</td>
<td>80</td>
<td>2011</td>
</tr>
<tr>
<td>D</td>
<td>Real Estate Consulting</td>
<td>375</td>
<td>34</td>
<td>2010</td>
</tr>
<tr>
<td>E</td>
<td>IT Consulting</td>
<td>1089</td>
<td>110</td>
<td>2012</td>
</tr>
<tr>
<td>F</td>
<td>Software Firm</td>
<td>266</td>
<td>23</td>
<td>2011</td>
</tr>
<tr>
<td>G</td>
<td>Software Firm</td>
<td>325</td>
<td>29</td>
<td>2000</td>
</tr>
<tr>
<td>H</td>
<td>Translation Agency</td>
<td>1147</td>
<td>17</td>
<td>2011</td>
</tr>
<tr>
<td>I</td>
<td>Commercial Agency</td>
<td>616</td>
<td>38</td>
<td>2009</td>
</tr>
<tr>
<td>J</td>
<td>Accounting Agency</td>
<td>236</td>
<td>55</td>
<td>2010</td>
</tr>
<tr>
<td>K</td>
<td>Aircraft Catering</td>
<td>236</td>
<td>45</td>
<td>2011</td>
</tr>
<tr>
<td>L</td>
<td>IT Consulting</td>
<td>222</td>
<td>26</td>
<td>2008</td>
</tr>
</tbody>
</table>

Table 2: Case-firms

3.3 Data Collection

To study the cases, data was gathered mainly from interviews with key people within the firms. This was because research interviews have been defined as one of the most important ways to collect qualitative data (Qu & Dumay, 2011), as well as provide a unique opportunity to gain individual viewpoints (Bryman & Bell, 2015). Additional data was gathered from the firms’
web pages and the interviewees also disclosed formal documents such as codes of conduct and compendiums containing business information.

When setting up the interviews and deciding upon which people to meet, the contact person at each firm, most often being the CEO, was included in the process. This person was included in the decision by sending an email containing a brief presentation of the research area and requesting access to the CEO and other relevant people working within strategy, control and growth. The reason behind this was the realization that roles and task divisions may not be the same in all firms. Compared to external researchers, it was assumed that firm management should know more about how they work, and who possesses what knowledge. Taking this into account, it was deemed wise to include firm management when deciding upon who to talk to. This process resulted in interviews being set up with founders, CEOs, CFOs, COOs, and other employees working with MCSs. The time put away for each interview was approximately one hour, and there was a total of 16 interviews with 19 different people.

As for the design of interviews, a semi-structured approach was taken (Qu & Dumay, 2011), mainly because of two major reasons. Firstly, a semi-structured approach allows for addressing of more specific issues while still being able to deviate from the script when necessary (Bryman & Bell, 2015). This makes it easier to construct interview questions that help to answer the specific research question. As the approach still allows for some deviation, it should also make it possible to capture the interviewees’ own viewpoints. Secondly, as the research is concerned with multiple cases, some structure is commonly needed to secure cross-case comparability (Bryman & Bell, 2015). The use of more specific and repeatedly used questions, then ensures the existence of such a required structure.

When constructing the interview questions, it was realized that not all managers would know what is meant by MCSs. To operationalize the research, operational definitions of MCSs were therefore given by providing a list of different examples of MCSs in the interview guide (Bryman & Bell, 2015). This list was further based on common MCSs found in the literature review and in the thematic model presented in Table 1, section 2.5. To investigate all of Simons’ (1995) levers of control, the thematic model was also used to design the semi-structured interview questions. The interviews were held in Swedish, however an English translation of the following is to be found in Appendix I - Interview Guide: examples of what is meant by MCSs, the semi-structured interview questions and a table showing their primary connections.
to Simons’ (1995) levers, and a visual illustration of the topics covered during the interviews. However, it is important to remember that every case is different. For that reason, most interview sessions also contained a few additional questions adapted to the specific case at hand. The discrepancy between cases also meant that some topics were covered more, or in a different way, among some cases compared to others. Moreover, the interviews were recorded and transcribed in their original language. Reasons for choosing to transcribe the material was because it enabled a repeated examination as well as a deeper examination of what had been said (Heritage, 1984, cited in Bryman & Bell, 2015).

3.4 Interpretation of Findings

How the gathered data is to be analysed had to be considered already in the design process of the interviews (Doyle, 2004, cited in Qu & Dumay, 2011). Careful planning in how to interpret the findings is especially important when conducting semi-structured interviews (Qu & Dumay, 2011). Therefore, a pre-established plan which focused on cross-comparison and made use of the thematic model in Figure 1, was developed before conducting the research.

The thematic model based on Simons’ (1995) levers of control was developed by using a hierarchical theme identification scheme (Strauss & Corbin, 1990). Commonly occurring keywords within each of Simons’ (1995) different levers of control were grouped together under the specific lever they normally were an expression of. In turn, these keywords could be used to identify themes when encountered in the rest of the literature review and empirical research (Opler, 1945). This was done by searching the material for keywords belonging to the different themes, and investigating the context in which they were in. In turn, this enabled a comparison between the different themes in the different cases and how these were related to growth. Including how different controls are used to fulfil the same purpose, and how they work to support or disrupt one another. The empirical data were also continuously examined in regard to the theoretical framework through an iterative process.

When it comes to the presentation of the findings, a question-and-answer format was first tried out due to its many benefits emphasized by Yin (2014). However, due to the vast amount of data, it was soon realized that a topic format would be best suited to present the findings in as a direct manner as possible, facilitating the interpretation and analysis of the data. Therefore, the data was presented grouped together under certain common expressions of Simons’ (1995) levers of control, found in the thematic model. The connections between the different levers
and the sections of the empirical research were then further illustrated in the end of the empirical chapter. Moreover, because not all firms used the same type of MCSs to the same degree, data gathered from some firms are also represented to a higher degree in certain sections of the empirical data compared to others.

3.5 Ethical Principles

When conducting the research several actions were taken to minimize the risk of any harm coming to participants of the study. To ensure that there was no lack of informed consent, all participants were informed about how the research was to be conducted, and the purpose of the research before engaging in any interviews (Bryman & Bell, 2015). Thereby participants were provided with enough information to reconsider in case they would not feel comfortable with the level of transparency that the research demanded. To further ensure that no unjust portrayals or misunderstandings occurred during the interviews, participants were provided the opportunity to inspect a draft of the thesis before it was publicly published. On top of that, to prevent invasion of privacy, participants were told to answer the questions to the best of their ability and were informed that they were free to avoid answering questions they felt may impose on their privacy. Before the start of any interview, participants were also asked to give their permission to be recorded. The permissions were given under the condition that the material would be used solely for the purpose of this study and that the recordings would not be passed on without the participants’ consent. No information about the research was intentionally withheld from participants and to avoid deception, as much relevant information as possible was continuously provided to the participants (Bryman & Bell, 2015).

3.6 Quality of Research

To ensure trustworthiness and authenticity of the research the following four alternative criteria for evaluating qualitative research was considered while conducting the research: credibility, transferability, dependability and confirmability (Guba & Lincoln, 1994).

The issue of credibility was dealt with by providing research participants with the final findings to ensure that the social reality shown in the research findings corresponded to that of the participants, also known as respondent validation (Bryman & Bell, 2015). Credibility was further strengthened by utilizing research participants from multiple firms within different service sectors all experiencing high growth. This should strengthen the transferability of the findings, as they are not derived as narrowly as from a single case study, meaning that they
should be generalizable to a higher degree. Another aspect strengthening both the credibility and confirmability of the research is that the analysis was not conducted by solely by one person. This should minimize the risk of own beliefs dictating the research. To further avoid subjectivity the analysis was heavily based on a broad literature review consisting of several peer reviewed journals. Dependability, which is concerned with whether the conclusion of the research can be replicated, was upheld by providing a detailed step-by-step explanation on how the research was conducted. (Bryman & Bell, 2015). If other researchers were to conduct a similar study in a different context, they would because of that have all information necessary to successfully carry it out. For authenticity, clear arguments have also been established for the sample of case-firms and interviewees.
4. EMPIRICAL DATA

This chapter comprises a translated summary of the most relevant information from the empirical research. The chapter ends with a summarizing table showing some of the main findings and their primary relations to Simons’ (1995) levers of control.

4.1 Strategy and Challenges in High Growth Firms

Naturally, the different case-firms had different strategies and goals that differed from one another. Their reasons for rapid growth were often credited to several things but primarily to a good service and product offering. One aspect that all firms had in common was a high customer focus. Among consulting firms, employee satisfaction was often also as high on the agenda as customer satisfaction. In some instances, employees were viewed almost as customers themselves, having a direct link to growth. Another aspect that most firms had in common was that they worked very actively towards growth. The only firm who had not directly included growth in their strategy was Firm K, which focused on catering a timely and good dining experience to one sole customer. They managed to grow by snowballing through this customer.

Among the other firms who included growth in their strategy it was common to have specific goals linked to growth and turnover. Firm A for example had a goal for a yearly increase in organic growth of 20% and Firm J aimed to have an annual growth rate of 50%. Instead, Firm L’s goal for growth was to double their number of employees within 2 years, and Firm D expressed their goals for growth in terms of revenue and profit.

For some firms their strategy had come to change during their life-time. Others claimed to have the same original strategy and vision as when they started, but that the way of working towards it had successively changed. All firms also claimed that their rapid growth had imposed challenges of different kinds, something often referred to as ‘growth pains’. Some of the different challenges the case-firms claimed to experience were: securing cash flow, keeping a united front, keeping the culture together, ensuring that employees get along, finding and retaining employees, and distributing and retaining knowledge. What type of challenges the firms were experiencing also differed depending on what stage of their life-cycle they were in, how many employees they had, and what type of service they were offering. For example, Firm
K could be concerned with making estimations of ingredients needed for their meals as their orders increased, and Firm G could in the beginning be concerned with their financing of product development. On the other hand, firms who do not offer a complementary tangible or intangible product in their service offering were primarily concerned with costs related to employees. Almost all firms emphasized the challenge of maintaining cash flow to ensure survival at a young firm age. Control over cash flow and costs was therefore of great importance. Especially considering that for many consulting firms, an invoice system was used, which sometimes could mean that payments were not received until several months after services had been provided. In addition to this, certain months of the year generally had less occupancy, leading to less generation of revenue during certain periods. Many firms handled this by actively trying to keep down their fixed costs.

On the other hand, Firm G who currently has existed for 18 years and has gone from growing at a fast pace to growing at a very fast pace and being rewarded the ‘gazelle prize’ 5 years in a row, found that their biggest challenge associated with growth has moved away from financing for survival to becoming a priority issue. The incremental cost of setting up their intangible good has already been dealt with and the firm is surrounded by several potentially successful business opportunities, but do not have the time or resources to engage in all of them. A big challenge is therefore to decide which to take on and not. The firm has already managed to achieve their original vision, which has led to them successively stretch their vision for growth and associated goals. In order for the firms to deal with all these issues, and to strengthen their growth further, different control systems are used.

4.2 Culture, Values and Commitment

One way that the firms tried to steer their employees was through formal values. For example, Firm J had four explicit core values being, curiosity, responsibility, prestigeless, and joy which were intended to guide the employees’ behaviour. According to one of the founders of this firm, they have always focused on being “value-driven”, since if good values are present, there is less need for formal control. Firm C similarly worked with the core values: excellent staff, respect, joy, and to “give the client much more”. In addition to this, several firms had explicit core values mediated through their webpage.

Even when having values communicated through their webpages, some firms claimed not to work as actively with formal core values internally. In a more ambiguous manner, Firm A, C
and G, put an emphasis on creating an atmosphere where people felt that they could challenge ingrained ideas without risking negative consequences. This was done to support the development of new beneficial ideas. In addition to this, all firms except Firm H, emphasized the importance of their firm culture. Firm L for example, claimed that their culture basically was the only way that they could compete for consulting candidates and therefore had created a completely flat organization with high employee involvement.

The firms also described their cultures in various ways. The CEO of Firm I described its culture with the catchphrase “always inspire, be brave, master tomorrow”, whereas the CEO of Firm K expressed the phrase “pride in every product”. Firm A, B and D emphasized an open climate in regard to culture, where employees enjoy each other’s company, enjoy their work, are motivated and work towards the same goals. According to the COO of Firm C, they tried to develop a culture perceived as progressive and socially involved.

For most firms the recruitment process worked as the first system of control aiming to ensure that candidates fit with the firms’ cultures. Different quality assurance procedures such as recommendations, tests and interviews were common and used to ensure that the candidates fit with the culture and would work towards the same goals. All firms except Firm H emphasized the importance of only hiring the ‘right fit’ employee. The only firm who did not do this had experienced problems with a non-cohesive work culture and that employees commonly only stayed with the firm for a shorter period of time.

Employee turnover was stated to be a main risk for both Firm H and C. This risk was handled by management trying to influence firm culture. Firm H dealt with this by trying to involve their employees as much as possible in firm issues. The other firm tried to create a positive culture to make their consultants feel happy and committed to staying at their firm instead of taking employment at the firms where they were assigned. The COO explained that they have individual meetings with the employees, aiming to provide them with a sense of ‘belonging’. The COO further believed that this can be positive for loyalty. In addition to this, Firm B, G and I, expressed, in different ways, that it is important to maintain a low employee turnover, which according to them contributes to a profitable growth.

Most of the firms said that culture helps them achieve their strategic goals and affects the growth positively. Firm A explained that their culture affects their growth negatively in the
short-term because everyone helps each other a lot, which is time consuming. However, they believed that the culture builds a stronger foundation to grow on, which in turn affects growth positively in the long term. Most firms thought that the culture, vision and expressed goals contribute to keep a focus within the organization, but the opinions were divided regarding the contribution it has on increased control. Firm I believed that it does not necessarily increase control, but rather increases a feeling of trust, both among employees and managers. Whereas Firm C and G believed it increases control. Especially Firm G expressed that goals will be achieved when employees feel cared for, as it increases employee motivation and thereby also performance. In addition to this the firms often applied different guidelines and limitations to aid their cohesiveness and goal achievements as they grew.

4.3 Prioritization, Limitations and Codes of Conduct

Several firms emphasized the importance of early on turning down projects that may generate cash flow in the short term, but that may not be beneficial in the long term. According to the CEO and founder of Firm G, different opportunities were continuously compared against each other and good opportunities were turned down for the firm to be able to put all their focus and resources into the most beneficial projects. The firm had further developed a system where client visits were not approved unless the customers beforehand stated to have a certain budget to spend for their services. This contrasted the incitement of salesmen who otherwise viewed each client visit as a potential sale even though not all sales would be as beneficial for the firm. Firm A also said that they early on turned down direct recruiting even though it would have increased their revenue in the short term. The main reason for this was that they did not see any long-term profitability of these projects.

Apart from prioritizations to limit the scope of business and focus the firms’ efforts, all firms either had established codes of conduct or were in the process of creating them. These guidelines could be in different detail, but the majority of the firms expressed fundamental information such as how to dress, how to address clients and co-workers and similar topics. For example, Firm A had bad experiences with consultants as a result of a lacking code of conduct. Because of this, the firm decided they had to define guidelines for consultants on how to act when they first meet new clients. Similarly, guidelines can also be applied to managers, for example the co-founder of Firm C said that “There is an unspoken methodology for how we follow up on satisfaction and performance so that it does not differ depending on which manager one has”.
Firm I also mentioned that they had an abundance of policies which worked as risk management system used to handle costs. The CEO believed that it can become a risk if the policies become too many and that people in the end do not pay attention to them. Firm A, D, F, K and L further constricted their investments according to their cash flow when deciding on how to invest and where to allocate resources. Capital budgeting was sometimes used whereas some firms made cost-comparisons between different years to control that the share of spending on different matters was approximately the same over the years. The costs were also controlled in relation to the revenue where the costs were not allowed to increase unless the revenues also increased accordingly.

What is more, some firms used digital instructions to guide their employees and ensure a unified way of working. For example, Firm B used a digitized business management system (BMS) which started out as a ‘checklist’ but now has over 160 instructive documents. This system aids the firm in keeping a unified way of working so that customers are more likely to want to contact the firm as a whole rather than specific individuals within the firm. Thus, this is a way of dealing with the risk of losing customers as a result of key employees leaving the company. The system contains both standard instructions on for example how to write emails and contracts, as well as instructions on what to when deviations arise. As the firm in question has 5700 consultants, the co-founder explained that they are running a relatively complex business and that the top management would have to answer to a large amount of questions if this system was absent. The co-founder further explains that this system in combination with other formal digital MCSs helps keep the firm on the right track as they grow and provides a platform for future growth.

4.4 Use of Systems

The empirical findings show that the combination of MCSs at the case-firms differ and so does the way in which they are used. Some firms had a set of several different MCSs, often digitized, while others claimed not to have many formal systems of control. However, even among those who claimed not to have formal MCSs, it was acknowledged that systems set up mainly for other purposes also to some degree worked as means of control. Considering this, the CEO of Firm F pointed out that “...it is difficult to pinpoint what system creates the most value since we have a lot of systems which together in some way create value”. These types of systems can either be less formal or more formal and digitized. The formal digitized systems can further be
used in a more hierarchical or involving way. These different types of systems and the different ways the case-firms made use of them will be presented in the following two subsections.

4.4.1 Meetings, Communication, and Involvement

Among several firms still categorized as small in terms of employees, operating founders sometimes also acted as the firm’s control system themselves. Constantly making unofficial assessments, financial calculations and checking in with their co-workers and employees. Overall, having continuous meetings were common traits among the majority of the firms. For example, the CEO of Firm K explained that their employees cook and eat together every Thursday which provides an opportunity to chat about things other than work and see how the employees are doing. The co-founder of Firm B explained that the firm had initial interviews with all their consultants and then kept contact by phone based on a digital control system indicating employees’ occupancy. Whereas the co-founder and COO of Firm C explained that management has individual meetings with all their consultants every other week. The purpose of these meetings was to measure employees’ satisfaction with their missions, and employee workload. These sessions were then evaluated with a green, yellow or red colour system. Green indicates that everything is well with the employee, yellow indicates that something is not well but not acute, and red indicates that something requires immediate attention. Actions were then taken depending on what colour the sessions received. In many cases these meetings were also supplemented by monthly or yearly meetings for other purposes. According to several CEOs the personal contact in form of meetings and checking in with the employees were their most important form of control. The founder of Firm G further mentioned that he kept regular phone contact with employees stationed abroad and that they had an online social platform where they could chat with everyone within the firm. Several firms also considered their meeting structures as the control system most closely related to their growth. Firm D even had weekly 30-minute individual meetings with every new employee, to get insight into their reality at the firm.

Employees were also involved to different degrees within different firms in determining which MCSs should be used, and how they should be used. Representatives of Firm C and D said that it is mainly management and the board that decides how MCSs should be used. Whereas representatives of Firm B and H said that it depended on the topic at hand. The latter two emphasized that decisions about monetary goals and control systems related to those goals are made by management. The same firms, including Firm G, stressed that it is of utmost importance to gain acceptance for the goals and to make everyone aware of the direction in
which the firm is heading. This is achieved through various means of communication. For example, Firm B and I organize big annual meetings where everyone in the firm are invited to engage. The COO of Firm C stressed that if they implement a system that affects the employees, then they make sure to inform everyone about the pros and cons of the system.

Moving on, most firms acknowledged that creativity is of high importance for growth. For example, instead of letting employees voice their ideas in a meeting. Firm C involved their employees by letting them solve problems related to different strategic areas. The firm divided the work on certain strategic areas that needed development, such as customer satisfaction, to a group of eight employees. The group was given a scope and an overarching end goal by management. Other than that, the employees were given the responsibility and had to work together to come up with solutions to the related strategic area. Furthermore, it became evident that just as the firms have different MCSs for different purposes, they also have different ways of giving space for employees to propose new ideas. All firms in confirmed that they are open to and have a way for employees to propose ideas that may benefit the firm. Firm H and I emphasized that their main outlet to gather employees’ ideas were through weekly and monthly meetings.

It was observed that the control systems affect the firms’ creativity in different ways. The co-founder of Firm B gave an example of how their MCS had been improved by an idea from one of their employees and thereby believed that the system probably enhanced innovation. Firm C expressed that they on purpose only have a few very necessary control systems, aside from that they chose not to implement any further because they want to keep the firm creative and flexible.

On the topic of managing risk through communication, Firm B addressed risk on every monthly meeting as a recurring topic. During the meeting everyone could speak up in case they found any new risk and from there they categorized the risks as “important, urgent” or “not important, not urgent”. Furthermore, an emphasis is put on discussing and informing people why certain choices are made within the firm, rather than making them and leave employees wondering why a certain choice was made. In addition, all firms to different degrees combined these more informal controls with more formal systems.
4.4.2 Formal Systems, Monitoring and Performance Measurements

Some of the more formal control systems that the case-firms used were budgets, reward systems, KPIs and performance measurements, digitized instruction systems and quality assurance systems. Although the combination of these systems differed, almost all firms further had some form of CRM system in place. Firm A and J also made use of Excel to keep track of costs. In addition to this, Firm B, F and J had developed their own digital systems of control. For example, Firm F had three different major IT systems that worked as means of control: their CRM system, their BMS, and their BI system. The BI system in turn contained a big amount of KPIs and financial measurements such as marginals per hour and month. The information provided by these measurements were then used to create easily understandable graphs. These graphs were then displayed on a monitor in the firm’s main office with the purpose of informing all employees of how the firm was doing. Thereby the co-founder explained that the system “becomes like a tool for goal management”, which facilitates control and increases transparency. The goals related to these numbers, as for example increase in growth, were then connected to non-financial rewards such as different group activities. The co-founder of Firm B also explained that they work with goal management by connecting their yearly goal to individual sales goals, which are determined in individual meetings with the employees.

Similarly, the CEO of Firm H explained that they have a dialogue with their employees about how many business-calls they should make during a month. This is so that the expectations can be adjusted according to the employees’ main work tasks. When evaluating the employees’ performance, the figure agreed upon is then divided by the number of hours the employees have been at work during the month. The firm’s bonus system is also related to employee attendance. Meaning that unless the employees have full attendance, they cannot receive a full bonus for that month. The purpose of this system is to increase attendance at work, which it also has done. However, the CEO explained that a negative consequence of this system is that people sometimes come to work even though they are sick. Beyond this, the firm’s control system, such as the individual performance measurements, have aided the firm in identifying areas of improvements to increase efficiency. As for example that their business system and phone operating system needed to be changed, and that some employees needed to be relocated.

In addition to this, the firm’s BMS and quality assurance system FR2000, which can be described as a technical system specific for the branch and corresponding to ISO2000, supports
the firm’s growth by acting as a “quality stamp”. Having the system in place enables the firm to get in on business which otherwise would require a lot of time and effort to obtain. On the other hand, the CEO explains that the system requires a lot of time administratively.

MCSs were found to be used to report and control on outcome of goals. For example, the consultants of Firm C reported their worked hours per assignment in a digital system which was controlled by group managers. Firm B had contracts towards each client and consultant which were signed electronically and set up for every registered business. The contracts contained specifics on the prices and margins of the deal, and the prognosis of the contracts worth, which were reported to and controlled by the CFO. Firm I engaged in monthly reporting on their achievements of KPIs as well as deviances related to these goals. These reports could concern e.g. occupancy, average prices, forecasted sales, or well-being and were directed either between top management and team responsible or consultants and team responsible.

Related to these types of controls, it was found that the firms MCSs to some degree changed over time. Firm B’s KPIs i.e. came to change as their BI system developed. The co-founder of the firm explained that since the BI system was highly important for forecasting and follow-ups, it would not make sense to use outdated KPIs. Moreover, several firms gave the reason that they were operating in a rapidly changing environment, not to engage in forecasting. This was because it made predictions very difficult to make, and risks associated with making wrong predictions were considered dire. In fact, only Firm B, E, I and J mentioned that they in some way worked with forecasting. The CEO of Firm I explained that although their MCSs majorly had been used as intended, there may be discrepancies from the plans. He found it impossible to design a plan robust enough to still be relevant within in six months. Therefore, they worked with MCSs proactively as for example when setting budgets, and reactively when necessary. Among the firms with relatively many employees, the existence and use of MCSs had come to evolve with the firms’ growth in terms of employees. Flexibility, simplicity, and compatibility was then commonly considered important when adopting new systems. The CEO of Firm J explained that the need for control increased simultaneously as there was demand for fewer separate digital systems. It was also common that the firms started to see an increased need for a developed HR system relatively early in their growth. Firm E and J pointed out that they started to see an increased need for internal structures, processes and controls at around 15-20 employees. Firm E for example, experienced an increased need of systems for financial follow-up and personnel feedback when reaching over 20 employees. At more than 50 employees the
need for increased overhead structures and HR systems increased and when approaching 100 employees there was an increased need of administrative systems and a full-time CFO function.

4.5 Future Prospects

As the firms continue to grow, many were convinced that they need to introduce more systems. One of the main reasons was that the organization’s complexity also increases with its size. To tackle this before it becomes too big a issue, the CEO of Firm I stated that they are currently in the process of implementing an ERP system. He also hoped that this would contribute to decreasing the amount of systems that the firm currently has in place. The COO of Firm C explained that the reason his firm must introduce more control systems is that growth is a challenge. As more people enter the organization, more opinions must be taken into consideration and this must be dealt with in a systematic way. He elaborated that they would need a system that measures the employee satisfaction, as well as a system that makes possible work related to employee development. In that way, he believes, it will be easier to send the right person on the right assignment so that the employees always feel like they can develop their skills. The CEO of Firm K believed that the firm would need more daily operational control of how much resources were used; how much is left over and also a stronger cost control. Additionally, he emphasized that there would be a need of more management reporting from the operational side. The CEO of Firm G explained that the firm successively will have to introduce more formal control systems as they grow. He elaborated that formal MCSs can work as a system that he could use to assess the performance of the employees on. The CFO of Firm A said that they do not necessarily want to introduce more MCSs. However, they want to introduce a system which allocates project costs more efficiently so that the firm will be able to see what projects are the most profitable.

The CFO of Firm A stated that the firm’s control systems are changing all the time. When they started out they were paid in cash whereas now they are invoicing everything. According to the CFO, this automatically creates a control system for the firm to deduct monetary information from. The CEO of Firm I explained that their technical systems have increased and with them also complexity. The culturally oriented work has grown the most, and the CEO adds that he believes that this is the system that is the most needed. Firm K’s CEO stated that with more products, you also need more control. Previously, the firm only had a few customers who they designed a set of products to. Now that they have more customers, the production manager has more responsibility in terms of purchasing quantities and making sure that it is roughly as
planned. The COO of Firm C stated that their MCSs have changed a lot. In the beginning the firm did a lot of work in Excel, even time reporting. This was both time consuming and error inducing, and because of that the firm changed to a more digitized system.

4.6 Summary of Empirical Findings

Table 3 summarizes the main empirical findings within each section of the empirical data and illustrate what section is primarily connected to which one of Simons’ (1995) levers of control.

<table>
<thead>
<tr>
<th>Section</th>
<th>Lever</th>
<th>Main Empirical Findings</th>
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<tbody>
<tr>
<td>Strategy and Challenges in High Growth Firms</td>
<td>General Section</td>
<td>*All firms had customer focus as a strategic aspect and all firms except one worked actively towards growth.</td>
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<tr>
<td></td>
<td></td>
<td>*Challenges differed depending on what OLC the firms were in and control of costs and cash flows were important to ensure survival at a young age.</td>
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<tr>
<td>Culture, Values, Commitment</td>
<td>Belief system</td>
<td>*Almost all firms emphasized the importance of culture and those who did not emphasize their culture experienced problem with non-cohesiveness and retention.</td>
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<td></td>
<td></td>
<td>*Good values and culture can decrease employee turnover which in turn supports profitable growth.</td>
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<tr>
<td></td>
<td></td>
<td>*Firm vision together with explicit goals and firm culture aids to keep the right focus and according to some also increase control within the firm.</td>
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<tr>
<td>Prioritization, Limitations and Codes of Conduct</td>
<td>Boundary system</td>
<td>*Prioritizing and early on turning down projects profitable from a short perspective but not a long perspective was considered important.</td>
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<td></td>
<td></td>
<td>*Cost control by restricting investments and spending to existing cash flow was common.</td>
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<td></td>
<td></td>
<td>*Codes of conduct, policies, and different instructional systems aided firms in containing unity and customers as they grew.</td>
</tr>
<tr>
<td>Use of Systems</td>
<td>Interactive system</td>
<td>*Continuous meetings were common traits among the HGFs and were often considered the most important means of control and the MCS most closely related to growth.</td>
</tr>
<tr>
<td>Meetings, Communication and Involvement</td>
<td></td>
<td>*Communication as a means of distributing information and gaining acceptance of goals and systems was emphasized among several firms.</td>
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<td></td>
<td></td>
<td>*The firms had a high degree of employee involvement and enabled employees to voice new ideas.</td>
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<td></td>
<td>Diagnostic system</td>
<td>*All firms used some degree of formal systems such as budgets.</td>
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<tr>
<td></td>
<td></td>
<td>*Digital systems functioned as a system for reporting and evaluating on goal achievement.</td>
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<td></td>
<td></td>
<td>*The use and existence of MCSs changed as the firms grew in terms of employees.</td>
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<tr>
<td>Future Prospects</td>
<td>General Section</td>
<td>*Most firms were either in the process of implementing or developing additional MCSs or saw the need of doing so in the future as they continue to grow.</td>
</tr>
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Table 3: Main empirical findings
5. ANALYSIS

This chapter contains an analysis of the empirical data in connection to the literature review. Among other things, the analysis discusses how MCSs can be used to aid firms in dealing with obstacles imposed by growth, and the potential of MCSs in supporting an increased growth.

5.1 Growth Focus and Management Control Systems

In support of Smallbone, Leigh, and North’s (1995) argument of the high importance of a strong commitment to growth among leaders of HGFs, it was found that all case-firms except one worked actively towards growth. This can be seen by that many of the case-firms included growth as a part of their strategy and had aggressive goals towards growth. As MC then is described as the process by which firms most effectively use resources to support their strategy (Anthony, 1965), and MCSs can be viewed as a system for steering the firm and carrying out strategy (Simons, 1995) MCSs among HGFs should conclusively have a big impact on growth. However, like argued by multiple previous scholars (Davila & Foster, 2007; Davila, Foster, & Jia, 2010; Lee & Cobia, 2013), this should not be confused with that MCSs are causes of growth, since the reason for growth often can be allocated to something else such as market conditions or a certain product or service offering. Instead, MCSs, in these instances should rather be viewed as a potential facilitator of growth by enforcing strategy and goal achievement.

Although many of the case-firms did not perceive themselves as exerting a lot of control and sometimes were unfamiliar with the term MCS, all used MCSs that fit under the umbrella of Simons’ (1995) definitions. The mix between different types of systems were found to differ between the firms. However, considering equifinality and that all firms have managed to become HGFs, the different mixes of control systems do not have to mean that a specific mix is the ultimate way of steering.

5.2 Belief Systems and Growth Support

The use of belief systems can be seen among the firms through e.g. the use of formal core values which Simons (1995) describes as components of belief systems. These values were in coherence with Simons’ criteria formally mediated by top management through e.g. firm webpages. However, although Simons (1995) stressed the importance of core values and the
active use of them by managers to maintain or alter patterns in the organizational activities, it was observed that many firms achieved the maintenance of alteration of patterns without formally working with core values. Instead a more commonly observed element of belief systems within firms was firm culture. Firm culture further filled the function as a system that inspired employees to find a common ground and work towards common goals, which Flamholtz (1983) also stated was a function of MCSs. However, since Simons (1995) argued that legitimate components of a belief system must be formal, it could be questioned whether this type of control falls within his definition of a belief system. On the other hand, several aspects speak for that this in fact should be considered as a belief system, e.g. that firm culture was used as a system of control by motivating employees to work towards the same goals. Moreover, it should be taken into consideration that MCSs with time have been argued to come to include more informal means of control (Chenall, 2003). In further support of categorizing this type of control as a belief system is then also Langfield-Smith’s (1997) argument, that informal controls are a part of firm culture and values.

The importance of these belief systems also became apparent in relation to employee turnover as one of the firms that had not yet developed a functioning firm culture had problems with a high employee turnover. It could be argued that the lack of solid firm culture thus made it difficult for employees to work toward a bigger, common, goal. In line with this, two firms had first-hand experienced the need of a firm culture to attract and retain employees. Since one of the firms further used their culture as a competitive advantage in attracting employees the cultural component of the belief system in this instance can be observed to have a direct impact on the increase in growth in terms of employees. In addition to this, the increase of employees can for several service firms be directly linked to their increase in turnover as well, especially when managing to achieve a high occupancy of consultants. Therefore, belief systems were found to be the lever of control used by the HGFs with the most direct connection to growth no matter how growth was measured. Due to the close connection between the number of employees and turnover among service firms, this is a potential way that HGFs operating within the service sector may differ from product-driven HGFs.

5.3 Boundary Systems and Firm Survival

Boundary systems can be shown among the firms through the existence of codes of conduct, strategic limitations, and instructional system. These fit with Simons’ (1995) description of boundary systems as systems of control that limits and constrains the scope of business. In
support of Lee and Cobia’s (2013) claim that MCSs can increase chances of survival among start-ups, boundary systems were found to increase the likelihood of firm survival. This was evident both in the beginning of the firms’ lives and as they continued their rapid growth. The way that boundary systems aided firm survival was similar to Merchant’s (1985) vague description of MC as ‘keeping things on track’ and avoiding undesirable outcomes. Boundary systems namely worked as a means of dealing with certain risks such as, harmful behaviour, having a too broad strategic focus, and a lack of finances. This was especially important considering that many firms not always took on opportunities that were the most profitable in the short term and thus had to wait longer before realizing higher profit. As well as that an invoicing system commonly was used, and that the firms’ rapid growth arguably should mean higher costs in form of e.g. personnel. It can further be argued that cost awareness is of utmost importance among HGFs as to not get a shortage of cash flow before realizing long term profit. These findings thereby add credibility to Davila, Foster and Jia’s (2015) claim, that firms with a rapid growth can gain particularly much value by implementing MCSs, at least if they are used to control costs.

Similar to Davila and Foster’s (2010) findings that budgets could increase chances of start-up survival, budgets together with other systems for controlling costs were perceived as crucial among the case-firms. This could be seen through the systems of cost comparisons, capital budgeting, and distribution of costs in relation to revenue to secure cash flow. Boundary systems were also observed to support growth by creating a more unified way of working, which helped decrease the creation of individual-customer loyalty and increase the firm-customer loyalty. This was observed in the case of one firm’s use of an instructive BMS. Meaning that this boundary system further worked to decrease the risk of losing customers. This should enable managers to focus more attention on expanding their customer base without as big a risk of losing current customers and decrease in growth. In line with previous researcher (Flamholtz & Randle, 2007; Massaro, Bardy & Zanin, 2011), this system was further perceived as freeing a tremendous amount of time for management, which according to Simons (1995) is a limited resource. Considering this, although some MCSs were found to take up time administratively, boundary IT systems can support growth by freeing managers time, which instead can be put on other things such as business development or expansion.

Related to time and resource allocation, prioritizations were made to limit the scope of most firms’ business. This could arguably also be termed as a less developed form of boundary
Moreover, Simons (1995) idea of firms being faced with a huge amount of opportunities was supported by the findings from Firm G as they faced so many opportunities that it was not feasible to take on all. Through determining which strategic frames to operate within firms can then better allocate scarce resources. In turn, profitable long-term growth should be supported. Consequently, this argument is supported by the firm which is 18 years old and a multiple gazelle winner.

5.4 Diagnostic Systems, Feedback and Efficiency

Although several firms claimed not to use much formal controls, diagnostic systems were always used to some degree and was found in the use of: budgets, performance measurements, and time reporting systems etc, which falls under the category Simons (1995) termed as diagnostic systems. In support of Sandelin’s (2008) findings that formal MASs facilitates firm growth, formal diagnostic systems were found to support growth in at least three different ways.

First, diagnostic systems were often used as feedback systems to evaluate individual and firm performance. This view can be found among the case-firms as for example when one founder refers to their BI control systems as a tool for goal management. One way that this formal system worked as a tool for goal management was through the use of KPIs that provided information which could be displayed for employees in an easily understandable way. Therefore, the use of diagnostic control systems can aid firms by facilitating communication. Consequently, this should generate a greater understanding of how the firm is doing. Thereby the MCS in accordance with Flamholtz’s (1983) should facilitate creation of a common ground among employees. Formal diagnostic MCSs in combination with a growth strategy and growth-related goals seem to support firm growth by acting as a direct feedback system enhancing the understanding of the firms’ performance and also affecting the firms’ belief systems.

Moreover, diagnostic systems were used to identify opportunities to increase efficiency and could arguably be used to strengthen competitive advantage and profit margins. Meaning that they can be used to identify opportunities for where resources can be reallocated which in turn can be invested in other areas and thereby strengthen the growth of firms. A concrete example of this was e.g how one firm made use of the information from their MCSs such as individual performance measurements to identify and act upon opportunities to increase efficiency. This supports Massaro, Bardy and Zanin’s (2011) perspective that MCS through their generation of information can create knowledge which can be used to identify problems and develop
solutions. Although this example is not the development of a new product or service, it is still a change within the firm. Meaning that from this perspective, and within certain frames, MCSs can sustain minor innovation.

A third way that formal MCSs supported growth was by acting as a ‘quality stamp’. This is similar to Davila, Foster, and Jia’s (2015) finding that the existence of MCSs signals quality and growth potential. However, their findings were mainly directed towards ensuring finances and appealing investors whereas the MCSs in the empirical findings supported growth by signalling the existence of certain standards to potential customers. Since customers are spending money to buy services from firms, customers could be viewed as a type of investors even though they are not buying ownership within firms. It appears that formal MCSs, at least for firms operating within certain industries, can support growth by acting as a quality stamp for other actors as well. This can facilitate the procurement of new business, without having to conduct a lot of administrative work for every new business opportunity.

Apart from providing evidence that diagnostic systems can support growth, the empirical findings further somewhat contradicted previous research findings regarding some specific formal systems used for control. Lee and Cobia (2013) for example claim that profit forecasts can make firms grow faster within their early years. However, very little support of this was found among the empirical evidence since only four firms even mentioned engaging in forecasting. While several firms explicitly claimed not to use this practice since the dynamic environment they were in made it too difficult to make predictions and the risks associated with making faulty predictions were considered too high. Considering that all these firms still managed to become HGFs and some of them even have maintained this status for several years, the importance of forecasting in relation to growth could be questioned, at least when it comes to service firms.

5.5 Interactive Systems and Goal Management

Despite Simons’ (1995) claim that interactive systems are not present until the large and mature stage of a firm and considering that all case-firms still could be argued to be in a growth stage as they are currently HGFs, interactive systems were found among almost all firms and used to a high degree. This can be shown by e.g high involvement of employees and more structured social means of controls such as frequent meetings, which fits under the umbrella of Simons’ (1995) definition of interactive systems. Other usage of interactive systems shown were for
example dialogues with employees, “bottom-up” initiatives, knowledge sharing, and communication aided by diagnostic systems such as KPIs. However, although Simons (1995) claims that interactive systems usually do not develop until the mature stage of a firm, he does connect interactive systems with strategic uncertainty. Although the representatives of the firms themselves did not point out to be under strategic uncertainty, they did point out that they operated in a dynamic and changing environment. That this type of environment naturally entails uncertainty, could be a potential reason for why the firms were using such a high degree of interactive systems. Meaning that early on adopting interactive systems could be a potential characteristic of HGFs. Moreover, since all the case-firms are service firms, it is possible that this also plays a role in the amount of interactive systems that are used. However, to be sure of such a claim, a comparative study between product-driven and service-driven firms would have to be made.

Furthermore, by involving their employees and using their formal MCSs as a means of communication, management used MCSs as a system for goal management. Thereby they arguably strengthened their growth, given that the firms had growth as a part of their strategy. It was observed that meetings were, by many firms, considered one of the most important ways in which to control the firm. It was also one of the MCSs most closely related to growth. Additionally, it was noted that meetings in different forms were used to gather new ideas that can benefit the firm as well as make sure that everyone understand and work towards the same agenda. Thus, it could be argued that Demir, Wennberg and McKelvie (2017) as well as Massaro, Bardy and Zanin’s (2011) findings, that MCSs can support growth drivers such as innovation, and strategy, is valid in this case. For new innovations to appear within the firms, new ideas had to be put forward. Also, for a strategy to be realised it became clear that some firms needed all employees to work in a uniform manner towards it strategic goals. Perhaps it could be that if employees are involved in firm matters such as putting forward new ideas, they can also contribute to setting the firm’s agenda and uniting it under one agenda, similar to Flamholtz’s (1983) idea of common goals. Thus, if employees are involved in helping to form something such as goals, which a firm may work towards, then they may come to feel more personally involved in something bigger that they have also created to some extent and may be more eager to improve it which will create growth as a by-product.

In addition to this, there was to some extent empirical support for Mundy (2010) and Speklé’s (2001) research about the involvement of opinions from employees with different backgrounds,
and their contribution to new insights and an improvement of firms. Employees managed to, in especially one firm, help improve the firm by working in groups of eight and developing solutions on specific strategic areas. Thereby, it could be argued that employees who work together in smaller groups and focus on certain topics may help a firm to improve themselves. This argument further strengthens Simons (1995) as well as Naranjo-Gil and Hartmann’s (2007) findings, that managers utilize interactive control systems to support its strategy development. Similarly, Naranjo-Gil’s (2016) findings, that interactive control systems may make possible an emergent strategy through communication holds true. Considering that the firm in question reported on employees contributing with new ideas on strategic topics through group work and open communication.

Furthermore, although some support for existing research were found, there were also some tensions between the empirical findings and existing research. Namely that the findings not necessary fully support Greiner (1972/1998) and Collier’s (2005) argument, that it eventually becomes impossible to handle communication through informal personal control. This is because such control and personal interaction was considered important also within the firms with over 100 employees, or where having 5700 consultants. The way and frequency of the social interaction could then change depending on the situation. These firms generally had diagnostic- or financial controls to complement the social interaction with. A good example of this is the case of Firm B where all consultants were interviewed in person and then further contact was supported through a digitalized control system indicating occupancy and through phone conversations. Another firm also mentioned that their employees station abroad had access to social firm platforms where they could chat with everyone within the firm. Moreover, the founder kept contact with these employees over the phone. Although these examples do not support the idea of informal personal control eventually becoming an impossible way of handling communication as the firm grows, neither does it contradict the idea, considering that Greiner (1972/1998) does not explicitly state when this form of control becomes impossible. Still, since this theory was developed in the 80s and the 90s, it might be worth considering that such control might be a useful system for steering further along the growth stages of firms in contemporary society. This is because informal and personal control can be aided with digital tools, as among the case-firms. Therefore, it seems as even though the use of formal controls may increase with growth, the HGFs still successfully continue to use informal and personal control aided by digital tools.
5.6 Managing Tensions Through a Mix of Systems

As the only firm who did not emphasize firm culture used a lot of formal controls it appears that the lack of one type of MCS, in this case a belief system, may be temporarily compensated by an increase in another type of system, in this case diagnostic systems. To some degree this seems to work as the use of diagnostic systems, such as performance measurements and incentive systems, seemed to increase the efficiency and work attendance among the employees when a common culture was missing. However, considering that the firm still experienced a relatively high employee turnover this could be a sign that the firm is lacking a belief system which possibly could be needed to support their further growth. Especially considering Jaworski, Stathakopoulos and Krishnan’s (1993) argument, that maximized efficiency is reached through a combination of informal and formal systems. Incorporating a belief system with a focus on influencing culture could then potentially aid the firms’ growth by attracting and maintaining the right employees. Considering that this was a strategy that worked as a competitive advantage on the labour market among other of the service firms which in turn did not experience problems with employee turnover. It could be argued that the firms were using diagnostic MCSs in the sense that they sometimes did not introduce them until a problem occurred, but interactively in the way that they included their employees when using the systems.

5.7 Growth Stages and System Adoption

Simons (1995) claims that different types of MCSs tend to be present to different extents during different times as firms grow. This was also found to be true when it came to the HGFs of the study as several firms explained that their MCSs had come to change over time as their organizational needs had changed. Among firms who did not explain much about how their MCSs had changed so far, most however, were in the process of implementing new systems. Alternatively, they saw a demand for more systems approaching when aiming to grow further, resulting in increased business complexity. This supports Greiner’s (1972/1998) theory that growth is associated with the management of organizational issues, as implementing MCSs can be viewed as a way of dealing with organizational crisis. It also supports Simons’ (2002) and Davila’s (2005) claim that more rapid growth requires the adoption of more systems. Considering Flamholtz and Randle’s (2007) claim that specific MASs are viewed to sustain growth by providing an infrastructure, it could be argued that having a good infrastructure in-
house makes possible the avoidance of an organizational crisis. Therefore, using MCSs to avoid organizational crises can ensure firm survival and contribute to continued growth.

Greiner (1972/1998) further claims that the start of a firm’s life often is characterized by informal communication. This was evident among the case-firms as almost all had a high focus on firm culture and social interaction. For example, through both formal and informal continuous meetings and through chatting with employees. However, according to Collier (2005), as a firm grows it eventually should become impossible to handle communication through this social and informal control due to the frequent interaction it requires between managers and employees. This thus means that the more a firm grows the more formal controls the firm should transition into. The case studies provide evidence that more formal control systems such as diagnostic systems in the form of e.g budgets, different KPIs, and individual performance measurements, to some extent is adopted in alignment with growth. However, as pointed out earlier, informal and personal control, for most firms continued to be an important means of control even as the firms grew larger.

Moreover, like the notion that MCSs often are affected by growth (Davila, Foster & Jia, 2015), and Grenier’s (1972/1998) OLC theory, along with other scholars (Moores & Yuen, 2001; Davila, Foster & Jia, 2010) arguments, that firms adopt MCSs as they grow; MCSs seemed to change and develop with time as the firms grew. However, the adoption and need for systems seemed to be mainly driven by increase in growth in terms of employees rather than turnover. This was clearly illustrated by the example provided in the empirical findings on how one firm’s need and adoption of MCSs had come to change as they reached different headcounts. Moreover, the notion that growth is a driver of MCS adoption was supported by the fact that almost all case-firms were either currently engaged in developing or adopting new systems or saw a need to do so further down their growth.
6. CONCLUSION

*This chapter presents the conclusions and suggestions for future research that were reached while conducting the empirical research and analysis.*

This thesis aimed to investigate how HGFs use MCSs to support their rapid growth. The study contributes to existing MCSs literature through the application of Simons’ levers of control on HGFs in the service sector. Moreover, the study is of value for entrepreneurs since it brings awareness to how MCSs can be used to support firm growth.

Through a comparative analysis of 12 different HGFs, it was found that all HGFs used MCSs in some way. In contrast to Simons’ (1995) statement that firms adopt interactive systems in the large and mature OLC stage, this research finds support for that early on adopting interactive systems likely is a characteristic of HGFs. The reason being that they operate in a dynamic and changing environment. Diagnostic systems such as KPIs were also commonly used in an interactive way to provide feedback and information for employees. This enabled goal management and in turn aided growth. In contrast to existing research, most HGFs avoid using MCSs for forecasting purposes, since the risk of making wrong predictions was deemed too big. Instead HGFs tend to work with existing cash flow, budgets, and historical cost-comparisons to manage costs. Boundary systems further ensured that everyone worked in a consistent manner and that all knowledge did not reside with a few key-individuals. MCSs in the form of boundary systems were thereby found to provide a platform for future growth. For HGFs within the service sector, belief systems were found to be the MCSs most closely linked to growth, as for example culture provided a competitive advantage in attracting employees. For consulting firms, this was further directly linked to organic growth as well. In addition to this, it was found that belief systems were impacted through informal and personal controls aided by digital tools.

A mix of different MCSs used to balance organizational tensions, are of great importance for HGFs. The imbalance of systems within Simons’ (1995) levers can be stabilized by increasing systems within one lever at the expense of another in the short term, such as having more diagnostic systems due to a lack of belief systems. However, it seems that this stabilization cannot be sustained, and a lack of balance between systems can potentially obstruct future growth.
6.1 Suggestions for Future Research

Future research could add to the topic of MCSs among HGFs by making a comparative study of how MCSs are used among gazelles and other start-ups. Furthermore, as the lack of control systems have been identified as a major cause of failure among start-ups a potential focus for this type of research could be to compare the use of Simons’ (1995) four types of control systems connected to financing among gazelles, operating start-ups and failed start-ups. This could potentially provide important insight on to what extent these systems affect chances of firm survival and growth.

Moreover, as this study is concerned with HGFs offering services, a similar study could be conducted investigating the use of MCSs among product producing HGFs to see if the findings differ. Since this research further was concerned with HGFs growing mainly organically, it could also be interesting to investigate how the use of MCSs differ among rapidly growing firms growing mainly through mergers and acquisitions. Additionally, the majority of the firms in this study did not receive external finances and often still had operational founders also acting as board members. Among larger HGFs who at least partly rely on external funding and where founders are not operative, it could therefore be interesting to investigate the relationship between the strategy that the board sets and the operationalization of controls at lower levels within the firms.

Lastly, outside the scope of MCSs research but within the scope of growth and entrepreneurial research it would also be interesting to investigate network theory in connection to rapidly growing consulting firms. Considering that networks were something frequently mentioned among the consulting firms within this study and that MCSs in themselves are not the drivers of growth.
REFERENCES:


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APPENDIX I – Interview Guide

VISUAL ILLUSTRATION

<table>
<thead>
<tr>
<th>STRATEGY &amp; GOALS</th>
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<td>DESIGN OF SYSTEMS</td>
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<td>RISK MANAGEMENT &amp; BOUNDARIES</td>
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<tr>
<td>CULTURE</td>
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<tr>
<td>FUTURE OUTLOOKS</td>
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INTERVIEW QUESTIONS

1. Could you define your firm strategy and goals?
   A. What parts of your strategy do you believe to have been the most important for your growth?
   B. Why do you believe these parts have been of particular importance? Please provide an example.
   C. How have your strategy and your goals come to change with time and why do you believe they have done so?

2. What type of challenges have you encountered due to your rapid growth? Please elaborate.
3. Could you tell us a bit more about some control systems (MCSs) that you are using and that you consider to be particularly important for your growth or to handle potential complications imposed by your growth?

*Examples of control systems (MCSs)*:
- Strategic planning (short- and long term) e.g planning for firm survival, and achievement of goals and vision.
- Key performance indicators (KPIs) i.e. important measurements, e.g financial or qualitative; e.g employee satisfaction and occupation per hour.
- Reward and compensation systems, e.g bonuses, vacation, trips etc connected to goal achievement or other incentives.
- Performance measurements, e.g measurement of individual performance, invoices, hours worked etc.
- Monitoring systems, e.g check-in/check-out programs, measuring and follow-up of sales and conduct etc.
- Budgeting and profit planning.
- Systems for ensuring quality of services and products.

4. In what way, if any, have your control systems helped you in realizing your growth strategy and goals? Please provide examples.

5. If you are using any other, or any of the mentioned control systems (reward systems, budgeting, strategic planning, profit planning or performance measurement), which of these systems do you in that case perceive as the most important ones for you growth, and why?
   
   A. Could you give some specific examples of how these systems have helped you?

6. How do you control that all employees are working towards the same goal?
   
   (e.g: through social interaction, control systems, reward system etc)

7. How do you report the outcome of goals? How do you check that the figured reported by employees are correct?

   A. What is the underlying thought regarding the approach? (e.g. unable to grow without cost control)

8. How do goals differ between different departments?
   
   (e.g: difference between sales and finance department?)

9. How do you go about when designing different control systems?

   A. Could you explain the process behind how you decide which goals and control systems you are going to work with?

   B. Have the way that the control systems have been used coincided with the underlying thought existent when designing the systems?
C. Does the management alone decide which control systems to work with and how they should be designed, or do you have a dialog concerning this within the firm? (e.g: KPIs, strategic planning etc.)

10. How do you do so that employees can come up with their own suggestions that may be useful for the firm?

11. In what way do you perceive that control systems affect creativity and innovation within the firm and, if so, do you consider it important for your growth?
   A. In what way is it important for your growth? Can you give any examples?

12. What risks are you exposed to and how do you handle them? (e.g: manipulation of figures, malicious behavior, misaligned innovation)

13. Do you use any kind of risk management system or system to handle costs, if so which? (e.g: budgeting, checklists, planning systems)
   A. Would you be able to explain a little more about the systems and illustrate how they are used by an example that is not all too distant in time?
   B. Who works with this system?
   C. In what way do you perceive that the system affects employee behavior?

14. Do you have any specific guidelines on how to behave within the firm, if so, what are these?

15. Do you have any strategic delimitations, if so, what are these?


17. How do you feel that your corporate culture helps you achieve your strategic goals?
   A. How does it affect your growth?

18. How do you feel that you are involved in affecting the culture?
   A. In what way? (e.g: by setting goals and rules or by social influence)

19. Do you experience that your culture, corporate vision and expressed business goals contribute to increased control and to maintain the right focus within the organization? If so, how?

20. Do you have any plans to introduce more control systems over time as you grow?
   A. What systems do you think you would be in need of then and why?
   B. If you have thought about it, how do you think you should go about introducing them?

21. How has your control systems changed over time and why?

22. Is there something that we did not ask about that you think we should ask if and that you would like to tell us more about?
CONNECTION BETWEEN QUESTIONS AND THEMATIC MODEL

The table shows each of the previously presented interview questions’ primary connection to Simons’ (1995) levers of control.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Diagnostic Control System</th>
<th>Interactive Control System</th>
<th>Belief System</th>
<th>Boundary System</th>
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<tbody>
<tr>
<td>Interview Questions</td>
<td>3, 4, 5, 6, 7, 8, 9, 20, 21, 22</td>
<td>3, 4, 5, 6, 8, 9, 10, 11, 20, 21, 22</td>
<td>3, 4, 5, 6, 16, 17, 18, 19, 20, 21, 22</td>
<td>3, 4, 5, 6, 12, 13, 14, 15, 20, 21, 22</td>
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Please observe that the table only insinuates the primary connections between the questions and the thematic model. This does not in any way mean that the questions or their related answers cannot be connected to other systems in the model as well.