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Beliefs on measures and measurement

– a comparison between theory and practice

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Abstract

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Title: Beliefs of measures and measurement – *a comparison between theory and practice*

Background: There is a tendency in today's society towards an increased focus on measures and measurement, not least within organizations. Companies use various management control systems where great emphasis is put on measures and measurement. However, not all reactions are positive; a number of authors have directed criticism towards this development. The fact that different opinions are expressed within the area of measures and measurement makes it interesting to compare theoretical perspectives with practice.

Research question: Are measures and measurement comprehended differently by a user of the formal management control system compared to an administrator of it, and are the measures and measurement perceived to give value?

Purpose: Our purpose is threefold. One objective is to describe whether measures are more numerous today than previously. Another objective is to investigate whether the measures are being used and if they are experienced as useful. Thus, this objective becomes a comparison between theory and practice. We also aim to interpret the understanding of measures on the part of individuals at different organizational positions. A third objective is trying to interpret the answers that surface from the first two objectives.

Delimitations: The area explored in this essay is limited to finding out how measures and measurement are comprehended by two individuals at different organizational positions, in three different companies.

Method: We have conducted six interviews with individuals at different organizational positions in three companies. The interview method used was qualitative; the interviews were similar to an open conversation in order to, as far as possible, elicit the true experiences and opinions of the interviewees.

Key findings: Since we have taken an interpretative approach, we have not been able to come to any general conclusions. However, we have made some interesting findings regarding differences and similarities between theory and practice. All interviewees considered the number of measures and the focus on measurement to have increased. However, there seem to be differences between opinions and experiences of individuals at different organizational positions.

Suggestions for further research: One suggestion for further research is to perform a piece of in-depth research and participate in management meetings and in an observing role be able to hear what the managers really talk about regarding measures and measurement. Another suggestion concerns the use of the Balanced Scorecard and other popular management control systems with respect to the concept of decoupling.

1. INTRODUCTION.....	- 1 -
1.1 BACKGROUND	- 1 -
1.2 RESEARCH ISSUE	- 3 -
1.3 PURPOSE.....	- 4 -
1.4 DELIMITATIONS.....	- 4 -
2. THEORETICAL FRAMEWORK	- 5 -
2.1 COLLECTION OF DATA	- 5 -
2.2 MANAGEMENT CONTROL.....	- 5 -
2.3 MEASURES AND MEASUREMENT.....	- 6 -
2.3.1 <i>Description of the measure concept</i>	- 6 -
2.3.2 <i>Classification and purpose</i>	- 6 -
2.3.3 <i>A critical perspective of measures and measurement</i>	- 7 -
2.4 DECISION-MAKING	- 8 -
2.5 PERFORMANCE MEASUREMENT	- 9 -
2.5.1 <i>The concept of performance measurement</i>	- 9 -
2.5.2 <i>Purpose of performance measurement</i>	- 9 -
2.5.3 <i>Financial and non-financial performance measures</i>	- 10 -
2.5.4 <i>A critical perspective of performance measurement</i>	- 10 -
2.5.5 <i>The Balanced Scorecard</i>	- 11 -
2.6 TWO PERSPECTIVES OF THE FIRM AND ITS BEHAVIOR	- 12 -
2.6.1 <i>The neoclassical perspective</i>	- 12 -
2.6.2 <i>The institutional perspective</i>	- 13 -
3. METHOD	- 15 -
3.1 RESEARCH APPROACH	- 15 -
3.2 IMPLEMENTATION	- 15 -
3.2.1 <i>Method of information collecting</i>	- 15 -
3.2.2 <i>Interview method</i>	- 16 -
3.2.3 <i>The interview procedure</i>	- 16 -
3.2.4 <i>Collection of primary data</i>	- 17 -
3.2.5 <i>Interpretation of data</i>	- 17 -
3.3 VALIDITY	- 17 -
3.4 THE PRACTICAL WORK WITH THE INTERVIEWS AND THE INTERVIEW MATERIAL.....	- 18 -
4. EMPIRICAL DATA	- 20 -
4.1 SWEDBANK	- 20 -
4.1.1 <i>The company</i>	- 20 -
4.1.2 <i>The interviewees</i>	- 20 -
4.1.3 <i>The management control system</i>	- 20 -
4.1.4 <i>The interviews</i>	- 21 -
4.2 STENA LINE.....	- 23 -
4.2.1 <i>The company</i>	- 23 -
4.2.2 <i>The interviewees</i>	- 23 -
4.2.3 <i>The management control system</i>	- 23 -
4.2.4 <i>The interviews</i>	- 24 -
4.3 COMPANY X.....	- 27 -
4.3.1 <i>The company</i>	- 27 -
4.3.2 <i>The interviewees</i>	- 27 -
4.3.3 <i>The management control system</i>	- 27 -
4.3.4 <i>The interviews</i>	- 28 -
4.5 SUMMARY OF THE EMPIRICAL DATA	- 30 -
4.5.1 <i>Type of management control system</i>	- 30 -
4.5.2 <i>Increased focus on measures and measurement</i>	- 30 -
4.5.3 <i>Beliefs of measures and measurement</i>	- 30 -
4.5.4 <i>Information overload?</i>	- 31 -
4.5.5 <i>Does management control generate value?</i>	- 31 -

5. OUR INTERPRETATION	- 32 -
5.1 OUR INTERPRETATION OF THE INTERVIEW SITUATION	- 32 -
5.1.1 <i>Swedbank</i>	- 32 -
5.1.2 <i>Stena Line</i>	- 32 -
5.1.3 <i>Company X</i>	- 32 -
5.2 TYPE OF MANAGEMENT CONTROL SYSTEM.....	- 33 -
5.3 INCREASED FOCUS ON MEASURES AND MEASUREMENT	- 34 -
5.4 BELIEFS OF MEASURES AND MEASUREMENT.....	- 34 -
5.5 INFORMATION OVERLOAD?	- 35 -
6. FINAL DISCUSSION.....	- 36 -
7. FINAL WORDS	- 39 -
7.1 OUR CONTRIBUTION	- 39 -
7.2 FURTHER RESEARCH.....	- 39 -
8. REFERENCES.....	- 40 -

1. Introduction

In this introductory section, we aim to provide some background for the research issue, which leads us to the formulation of a number of questions. We then define our purpose and describe the delimitations of the essay.

1.1 Background

We have noticed a tendency in today's society to measure more and more, not least inside organizations. *Statistiska centralbyrån* publicizes a statistical yearbook, which contains a variety of measurements. Measurements are taken from all possible areas, from population size to the yearly harvest numbers for potatoes (*Statistiska centralbyrån* 2007). Holmblad Brunsson (2005) describes the measuring society and concludes that we have become generally more interested in numbers, despite the fact that they do not give us a clearer and more organized picture of reality. One is tempted to use measures expressed in numbers, because they can provide a good support for economic argumentation (Holmblad Brunsson 2005). The number of measures and the possibility of conducting measurement seem to be increasing continuously in today's society. One example is step counters, which measure the number of steps taken and give us an incentive to exercise. Even in the business world this has been a stronger trend, not least considering the fact that many companies have adopted the *Balanced Scorecard*, a management control system¹ that includes a number of different measures, which provides a possibility of steering by offering decision support. Performance measurement in general has become more popular; the importance of non-financial measures in particular has increased (Kald & Nilsson 2002). This development can be a result of the relevance lost debate, which began with Kaplan and Norton in the 1980's, where criticism was directed towards the traditional financial measures, which were deemed insufficient to meet the measurement needs in accordance with societal growth. From this, the so-called Balanced Scorecard was developed, a management control system that also includes non-financial measures, and on which Kaplan and Norton had a significant influence. A study shows that approximately 50% of all North American companies which are included in the Fortune 1000 and 40% of all European companies use the Balanced Scorecard (Gumbus & Lussier 2006). The Balanced Scorecard has been increasingly used in Swedish companies as well. A study from 2000 shows that 27% of the largest Swedish companies use this model, and the number increases to 61% if all companies which planned to implement this system within two years are included (Ax & Bjørnenak 2005). According to the authors of the article, this is seen as a rapid spread of the system. An indication that the use of the Balanced Scorecard has increased can be seen in *Controllerhandboken*, where the latest edition has increased its discussion of this system to a whole chapter (Samuelson 2004). In the previous version, only a few paragraphs were devoted to discussing the Balanced Scorecard. A questionnaire-based study concludes that performance measurement is relatively well developed in the Nordic countries and that the positive aspects of this measurement outweigh the negative (Kald & Nilsson 2000). Another indication that measurement is a most relevant topic is the large amount of literature devoted to the area of performance measurement.

Kaplan and Norton (1992) state that "what you measure is what you get". The impact of this perception, that measurement is a way to build a basis to drive change and get things done, could be a driving force behind the increased popularity of measurement and the development

¹ Henceforth when we talk about management control system we are referring to the *formal* management control system.

of new measures and models. Otley (2003) on the other hand says, “what gets measured usually gets done” and hence does not express it as precisely. However, he still implies that measurement normally has a positive effect.

The increase in the use of measures can partially account for the hardened competition seen in the business world today (Kald & Nilsson 2000). Kald and Nilsson (2000) also write that through the increased competition, the number of measures has grown and to a large extent have come to include non-financial variables. Due to the intensity of the competition, companies make heavier demands on their performance measurement systems and desire systems that can capture performances from a broader perspective, and not be limited to financial measures (Hoffecker & Goldenberg 1994). Kaplan and Johnson (1987) claim that it is more important to measure non-financial variables than to focus on profit every month or quarter. Financial measures that focus on the short term should be replaced by non-financial variables with a more long-term perspective (Kaplan & Johnson 1987). A focus on continued development is required for an improvement of performance measurement within areas such as quality and delivery reliability (Kald & Nilsson 2000). Parts of the criticism that Kaplan presented during the relevance-lost debate in the 80’s relate to the limited development in the area of management control (Roslender 1995). Kaplan argued that feasible techniques for measuring and collecting information that relate to increased productivity and quality have not developed to complement the rapid development and implementation of new fabrication techniques (ibid). Those who design and manage the performance measurement system have to be aware of the development of the elements that form the company’s key performance factors in order to achieve a more relevant measurement, and to a larger extent place focus on the operational activity (Kaplan & Johnson 1987).

The traditions surrounding measurement, however, go further back in time. At the end of the 17th century the so-called political arithmetic evolved, which defined the belief for the good society and involved ideas of efficiency and rationality (Mårtensson 2007). Changes would occur through the use of qualitative models when society was described and analyzed (ibid). Hence, the quantitative ideas and dreams of rationality and effectiveness go much further back than the time of Kaplan's ideas at the end of the 20th century. Already during the 17th century, a tradition of measurement was created along with ideas on how society should develop, all based on an extreme belief in rationality (ibid). The political arithmetic, however, lost support due to the size of the gap between theory and practice, which was much too large for handling plans to be brought to fruition (ibid).

Another factor that might be behind the development of measures can be the growth of the IT-sector. Through the systems currently on the market, there are many possibilities for companies to use an ever-growing number of measures to create a larger number of reports than ever before. Contractors such as SAP or IFS provide services that should facilitate companies’ measurement.

However, there are many reactions to the increasing interest in measurement and a questioning attitude concerning the expected steering effects in organizations because of the measures. Holmblad Brunsson (2005) presents an example of a survey of 42 manufacturing managers from two large manufacturing companies. The purpose of the survey was to find out whether managers use produced reports as basis for decision-making. Most of the managers stated that they would be disappointed if they did not already know what the reports showed when they received them. The reports and the various types of measures they contained functioned as a confirmation rather than a signal to steer. Instead, the managers acquired their

information from other sources, such as tenders and invoices. According to this survey, the effect measurement seems to have is a form of confirmation of already known figures, and not a signal indicating how to steer. A link can be made between the result of this survey and to the example where the Balanced Scorecard is likened to steering an airplane, where the instruments in the cockpit give signals on how to maneuver the plane (Ax, Johansson & Kullvén 2002). Unlike the reports, whose function is to give a confirmation, the instruments in the example with the airplane give signals on how the pilots should steer and maneuver. Considering the results of the survey, there might be cause to question whether the steering effect achieved through signals from measurement systems can be applied in organizations in a manner analogous to the cockpit of an airplane. Perhaps the measurement does not give rise to the expected steering effects, which in many cases seem to be taken for granted.

The fact that measurement has spread to the public sector too is a further indication that it is a phenomenon which has obtained increased importance in today's society. *Göteborgs stad*, for example, has elaborated *balansen*, a balanced scorecard meant to contribute to a versatile picture of the operations (Göteborgs stad 2007). The method's goal is to create better opportunities for measurement and evaluation of the day-to-day work and is a result of the vision of quality development.

During our years at the university, in several classes we experience to have been fed with models, which often are based on different types of measurement. In the management control classes, models like the Balanced Scorecard, where great emphasis is put on measurement, have been presented. A reflection we have made is that focus has mostly been on the usefulness and the positive effects the models give rise to, while questioning approaches towards the real effects of measuring have been few. Textbooks such as *Den nya ekonomistyrningen* and *Controllerhandboken* describe the Balanced Scorecard and its advantages. Whether the models work satisfactorily in practice as well is not discussed as thoroughly. *Management Control Systems* by Merchant and Van der Stede (2007) also presents the normative view of performance measurement, and models for accomplishing the measurement are described. There is a clear theory that forms the base of how we are expected to look at measurement models and their function. The symbol of rationality is constantly recurring in the textbooks and literature we have had during our years at the university and the economic theoretical message has been the dominating perspective.

1.2 Research issue

Clear indications show that measures and measurement have increased in scope in society as a whole, as well as in individual companies. As described in the background, management control systems like the Balanced Scorecard have become more and more common, and the utilization of measures, above all non-financial measures, has increased. The fact that performance measurement is used among organizations coherently follows the theory that is presented in many textbooks. *Management Control Systems* by Merchant and Van der Stede (2007) describes the positive effects that accompany with a correctly designed performance measurement. The normative perspective portrayed by the literature provides a conception of what it should look like in the real world, and how models and systems for measurement should be used in different types of organizations and situations. The constant question whether theory is consistent with practice has led us to a number of questions and we have formulated the following key question:

- *Are measures and measurement comprehended differently by a user of the formal management control system compared to an administrator of it, and are the measures and measurement perceived to give value?*

The four questions below help us explain the key question:

- *Are measures and measurement comprehended differently by different individuals in one and the same organization?*
- *Do measures and measurement form a basis for decision-making?*
- *Does the individual's organizational position matter for the perception of measures and measurement?*
- *Have the measures become more numerous?*

1.3 Purpose

This essay has three objectives. One objective is to describe whether measures are more numerous today than previously. Another objective is to investigate whether the measures are being used and if they are experienced to be useful. Thus, this objective becomes a comparison between theory and practice. We also aim to interpret the understanding of measures of individuals at different organizational positions. A third objective is to try to interpret the answers that arise from the first two objectives.

1.4 Delimitations

The area explored in this report is limited to finding out how measures and measurement are comprehended and used by a small number of individuals within the companies, and we did not intend to dig further into the creation of the management control systems. This delimitation is motivated partly by the fact that we did not have the possibility of interviewing the developers of the models. The first objective, which is of a more concrete character, could have benefited from a broader survey with a large number of companies, and hence given the possibility of drawing certain general conclusions. Still, we chose to stick to the three companies we used in our examination of the remaining questions.

2. Theoretical framework

The theoretical framework serves as a foundation for the essay, and holds the theory that supports the analysis and interpretation of data, when comparing practice with theory. To begin with, we give a short description of how we have collected the data used for the creation of the theoretical framework. Then we introduce a number of concepts that are closely connected with the area of management control, which are used frequently throughout the remainder of the thesis. We end the chapter with a presentation of two different perspectives on the firm and its behavior.

2.1 Collection of data

The different modes of collecting data can be split up and classified as primary data and secondary data (Andersen 1998). Data we collected ourselves is called primary data, while data others have collected is called secondary data (ibid). The kind of data we have used for the work involved in writing the essay consists of literature, scientific articles, interview material and material obtained from the companies we have been in contact with.

The theoretical framework is based on various sources of secondary data, which consists of literature and articles. The literature we have consulted consists of textbooks used during our university education and literature provided by our tutor, as well as by the university libraries. Most articles have been obtained from databases available through the university library, but we have also used various articles received from our tutor.

2.2 Management control

In *Management Control Systems*, the concept of management control is defined as follows: “Management control is the process by which managers influence other members of the organization to implement the organization’s strategies” (Anthony & Govindarajan 2001). A modern definition of management control is stated by *Nationalencyklopedin*: “Management control refers to intentional influence of an activity and its officials on certain economic objectives”² (Ax, Johansson & Kullvén 2002). Planning, coordination, communication and evaluation are all activities embraced by the notion of management control (ibid). The managers responsible for the organization’s management control also need to decide which actions to take and to influence people’s behavior. Ax, Johansson and Kullvén (2002) describe management control as being the work associated with planning, accomplishing and evaluating, as well as adapting the company’s activity, in order to reach drawn up financial and non-financial economic objectives. The basis for management control is the company’s strategy, since the main purpose of management control is to support the efforts to reach strategic targets (ibid). A benefit of management control is the increased probability of achieving an organization’s objectives (Merchant & Van der Stede 2007).

Changing conditions in the surrounding environment as well as the new view of companies’ activity have given rise to the development of new models and methods within the management control area (Ax, Johansson & Kullvén 2002). Traditionally, companies have been described as refinement units with a focus on production, while today’s companies are

² Our translation

seen as a value chain and as being more customer-oriented (ibid). One example of a more recently developed model is the Balanced Scorecard, which is described in more detail below.

Anthony and Govindarajan (2001) stress the need for controlling organizations to ensure that the strategy is carried through. An example with the devices needed for controlling the speed and direction of a car is presented as a comparison to the steering of an organization. Even though controlling an organization is far more complicated than controlling a car, in both circumstances devices must be in place and function properly, to avoid situations where things are “out of control” (Anthony & Govindarajan 2001).

2.3 Measures and measurement

“A company that can measure itself at every level against a common corporate vision possesses a potent competitive advantage” (Hoffecker & Goldenberg 1994). This statement represents a view that comprehends measurement as something positive and a means of supporting companies in gaining the lead over competitors. Below we present an explanation of the measure concept.

2.3.1 Description of the measure concept

A type of measure that is a commonly used economic concept is *key variable*. Mossberg (1977) defines it, “...key variables or the items which are of particular importance in affecting the profitability of the operation. “Early warning number” is another name for these key variables...” (Mossberg 1977). Key variables are figures or numbers of importance that give early information (ibid). Mossberg (1977) states that a key variable is a nominal number that gives concentrated information. The key variables express reality as we perceive it (Catasús et al. 2001). Measurement involves “the assignment of number to objects” (Merchant & Van der Stede 2007). The object that is assigned with numbers is the performance of employees over a certain period of time. Merchant and Van der Stede (2007) talk about financial measures such as net income, earnings per share and return on assets as objective measures and measures based on judgments, such as “being a team player”, as subjective measures.

Another way to define measures is to see them as “a detector or sensor – a device that measures what is actually happening in the process being controlled” (Anthony & Govindarajan 2001). The organization is compared with a car and it is illustrated with an example: “Press the accelerator, and your car goes faster. Rotate the steering wheel, and it changes direction”. This means that with certain devices, you can control the speed and direction of a car. In a similar way it is possible to control an organization. However, it is much more complicated. The example with the car gives understanding about the implications of measures. The detectors, i.e. measures, generate “information about what is happening”.

2.3.2 Classification and purpose

Anthony and Govindarajan (2001) talk about “strategic measures”, within which they distinguish three different groups: *outcome and driver measures*, *financial and non-financial measures* and *internal and external measures*. Outcome measures are backward looking, presenting the result of a strategy, while driver measures indicate the progress of key areas, showing changes at lower organizational levels, which affect the final outcome (Anthony & Govindarajan 2001). Financial and non-financial measures are described as connected to each other, since companies’ financial performance is related to, and depends on, non-financial

factors, such as quality and customer satisfaction (ibid). Finally, emphasis is put on the balance between external measures, such as customer satisfaction, and internal measures, such as manufacturing yields.

Engineering companies can benefit from measuring their productivity, since the important parameters are being focused through the measures, and the measurement therefore serves as support for improvements in productivity (Tangen 2003). Other benefits follow from measurement as well; it encourages long-term thinking, it helps translate communication into exact figures, it facilitates the distribution of resources to those areas with the best improvement prospects, it affects motivation and encourages employees to do a good job and finally, it facilitates planning, steering and evaluation (ibid).

2.3.3 A critical perspective of measures and measurement

Several perspectives on measures and measurement are presented in literature. Czarniawska-Joerges (1992) discusses measurement and her opinion is that behind measurement there is a hidden fear of being muddled. She talks about “the great illusion of the numbers”³ and illustrates it with an example: *Four tables* is something concrete, because we know what *one table* is – these things are concrete and can therefore be described with numbers. Expressing “I enjoy my job and would grade it as a “four” on a five-grade scale”⁴ is not more concrete than saying “I like my work”. Czarniawska-Joerges (1992) tries to communicate the idea that whether there is ability to measure is irrelevant because our understanding is independent of what is concrete or muddled. So the point here is, according to Czarniawska-Joerges (1992), that the use of numbers does not help to express abstract concepts. Just because something is measurable, it does not mean that it is meaningful, as Einstein once stated, “Not everything that counts can be counted. And not everything that can be counted, counts” (Hospitals & Health Networks 2007). McGinn claims that firms sometimes measure things just because they are measurable, and not because they are important.

Different perspectives on measures and measurement are presented in the article *Meningar om utvärdering* by Hjärdisdotter von Uexküll and Lundström (2005) with the basis in the public sector. Focus is put on evaluation as a part of the observing society we live in and we consider this material useful input for our essay. The article’s authors level plentiful criticism at the measurement system and claim that “the system of measurement never seems to have good consequences”⁵. They also present an example from Lena Lindgren’s research *Resultatmätning i skolans värld - varför och varför inte?* in which she argues that there is “insufficient evidence for the proposition that profit measurement increases quality or efficiency”⁶. This is a very different attitude towards measures and measurement in comparison to, for example, that of spokesmen for the Balanced Scorecard and other management control systems. Another thing worth emphasizing is the discussion about the high costs and the many work hours necessary when an organization is measured and evaluated (Hjärdisdotter von Uexküll & Lundström 2005). The authors question whether it is worth measuring, and they are of the opinion that there is a trend towards evaluating, especially within the school world. Lindgren, for example, argues that the trend towards measurement is so obvious and that it has increased to such a degree that it has taken on the features of “collective mania” or “modern rite”.

³ Our translation

⁴ Our translation

⁵ Our translation

⁶ Our translation

Guthrie, Humphrey and Olson (2001) discuss the new public financial management, NPFM, and how public services end up in the “evaluatory trap”. They question whether it is appropriate to spend the large amount of money and resources necessary to collect and structure all the data that results in measures and measurement. “Information is not a free good” and the increasing cost does not only relate to the accounting staff; the administrative responsibility has spread to many different groups within an organization, resulting in a massive generation of reports (Guthrie, Humphrey & Olson 2001). “I am stuck in papers. There is a lot of administrative work. I just sit at my desk or attend meetings. This is hard for me. I have a very bad conscience because I have no time to work on patient-related matters. If I do so, the paper-pile just grows.”, a chief nurse states (ibid). The article’s authors argue that the public sector risks facing a problem with delivering services when increased focus is put on cost demanding monitoring and evaluation. “The public sector under the regime of NPFM is a system where, on the one hand, the pressure is to decrease total cost (become more efficient), but where, on the other hand, (‘indirect’) control cost are increasing”, the authors state, by which they mean that the costs that are being “saved” thanks to increased efficiency become control costs instead.

2.4 Decision-making

Decision-making is a central function for most managers, and the decisions they make are based on information. Since much of the information today’s companies deal with comes in the form of measures, we found it advisable to include a small part covering this area in our theoretical framework.

Redman (1999) illustrates the similarity of the need for information between Alexander the Great and today’s managers with an example: Alexander the Great needed answers to questions like “How big is the enemy? How large are his forces?”, while a business manager needs another form of information and instead asks questions like “What do customers really like? What is the competitor going to do next?”. Working as a manager involves the responsibility for making different decisions within the company. To be able to make good decisions it is important to have the right information accessible, and Redman (1999) states that it is axiomatic that the better the information, the better the decisions.

Holmblad Brunsson (2006) claims that management control is not for everyone; it is the tool of the decision-makers, and she argues that the system for management control is supposed to provide the decision-makers with the necessary basis for decision-making. Gumbus and Lussier (2006) describe a case study of a company, in which the management control system is used as support for making operational decisions. Ghalayini and Noble (1996) state that measures, primarily operational, can provide managers with information necessary for their decision-making.

2.5 Performance measurement

2.5.1 The concept of performance measurement

In today's business world the use of different measures is well known and widespread, as we found out in our background analysis. In many cases, companies like to measure their performance in some way and the measurement used is usually called performance measurement (Ax, Johansson & Kullvén 2002). Neely, Adams and Kennerley (2002) define performance measurement as "the process of quantifying the efficiency and effectiveness of past actions". Companies use measures for the purpose of ruling, motivating and informing people inside the organization, and securing that they are working towards the set targets (ibid). Measures of both a financial and non-financial character are in common use (Merchant & Van der Stede 2007). Examples of financial measures are net income and earnings per share, and non-financial measures can take the form of market share and customer satisfaction. As argued in the background analysis, the spread of non-financial measures has increased since the early 1990's, and it can partly be seen as a result of the debate surrounding the *relevance lost* that started in the 1980's. Kaplan and Johnson claimed that there should be more focus on the use of non-financial measures, because of their wider perspective, than on the financial measures (Kaplan & Johnson 1987). Hoffeecker and Goldenberg (1994) have similar views and claim that performance measurement systems are not adequate as most of them are centered only on financial measures and do not take customers and competitors into consideration. This leads to a shortfall with regard to changing market conditions (Hoffeecker & Goldenberg 1994). The Balanced Scorecard can be seen as a frame of reference or a method for developing a company's strategy and involves both financial and non-financial measures (Ax, Johansson & Kullvén 2002).

Merchant and Van der Stede (2007) describe *results controls* as a means of influencing behavior in organizations, by rewarding good employee performance. In a *results control system*, performance measurement is frequently used. As the key result parameters, such as profitability, customer satisfaction or product defects, are determined the performance is measured, based on set performance targets (Merchant & Van der Stede 2007).

As discussed in the background analysis, the use of performance measurement has spread and it has become an important tool for today's organizations. Non-financial measures in particular have become popular. "The companies on the Most Admired list [a list of companies produced annually by *Fortune*] have chief executives who understand what performance measurement is all about" (Merchant & Van der Stede 2007).

2.5.2 Purpose of performance measurement

Performance measurement is linked to management control through the company's strategy and the purpose of these two concepts is to implement strategy and to attain strategic objectives respectively (Ax, Johansson & Kullvén 2002). Other purposes mentioned associated with performance measurement include the steering and motivation of business units and employees, and communicating the parameters that are important to focus on. "What you measure is what you get" works in practice and therefore organizations can benefit from using a performance measurement system (Merchant & Van der Stede 2007). The main purpose of using performance measurement is for the implementation of a company's strategy (Ax, Johansson & Kullvén 2002). Anthony and Govindarajan (2001) have the same view of the purpose of performance measurement.

2.5.3 Financial and non-financial performance measures

Financial measures are the dominant type and those most widely used in practice (Ax, Johansson & Kullvén 2002). Merchant and Van der Stede (2007) explain the advantages of financial measures, and mention financial objectives in general for profit-firms as being one of them. Financial measures provide a “summary measure” compounded by the effects of several activities on the operational level of a company (Merchant & Van der Stede 2007). Other factors speaking in favor of financial measures are their simplicity, precision and objectivity (ibid). However, non-financial measures have gained ground lately, and serve not only as a complement to financial measures but also to fill the gap where financial measures are not sufficient for measuring performance (Ax, Johansson & Kullvén 2002). As opposed to financial measures, the advantage of non-financial measures is their tighter connection to the operational activity. The criticism of financial measures consists of a focus on historical numbers, short-term perspective, lack of focus on the company’s surrounding environment and the difficulty employees have to understanding the measurements taken (ibid). Financial measurements can push managers to take actions that are not in the company’s long-term interest, such as decreasing the priority on quality to boost sales volume, and in so doing increasing short-term profits (Anthony & Govindarajan 2001). Investments might suffer too, while managers with a short-term focus avoid good investments, even though these would generate better future results (ibid). Another but no less important factor, which has already been mentioned in the background analysis, concerns the new situation when it comes to competition. Factors like customer orientation, short lead time, high quality and good service have become more important and need their own performance measures (ibid). Anthony and Govindarajan (2001) argue that financial measures are not enough when it comes to implementing a company’s strategy, and they therefore need to be complemented by other variables. Multiple measures have previously been used. However, different types of measures were then used at different organizational levels (ibid). Financial measures were used by senior management while non-financial measures were found at lower levels within the company (ibid). The authors are of the opinion that at all organizational levels, both types of measures should be used, whatever the kind of activity.

Tangen (2003) roughly divides the performance measures into five different groups: *cost*, *flexibility*, *rapidity*, *quality* and *reliability*. Cost measures include variables such as cost per operating hour, value added, level of resource utilization and cost of production. Average batch size and conversion time are variables that fall under the flexibility group while lead-time, average time in queue and time for order handling belong in the rapidity measures group. The quality measures group comprises factors such as number of defects per unit, number of complaints per customer and mean time between failures. Examples of reliability measures are availability, delivery reliability and average number of late orders.

2.5.4 A critical perspective of performance measurement

Neely (1999) points out something noteworthy in the article *The performance measurement revolution: why now and what next?* He argues that many managers suffer from “data overload” and that most of the firms today have a system that generates “at least some redundant performance reports”. Neely (1999) also states that such comments as “we measure everything that walks and moves, but nothing that matters” are frequently heard. He also refers to once seeing a production manager throw out a 200-page performance report without even looking at it and then comment, “what use is the report to me?”. The manager said that

he needed updated information and not reports with “spurious figures from the accounting department”. These are just a few of the many examples that express a questioning view of performance measurement. There are also other authors who question the effect and use of performance measurement, such as Holmblad Brunsson, as we mentioned in our background analysis. Holmblad Brunsson (2005) suggests that measurement can confuse decision-makers because of the number of measures. The decision power that a person possesses can diminish instead of being strengthened if the measures that are generated show something that was not expected, and it will be harder for this person to make decisions that are not in accordance with what the measures show (Holmblad Brunsson 2005). She argues that often the main focus is on the measures and not on the human beings, which is what management control is really about. She also states that human beings should be the main focus because they create the measures, manage them and sometimes even change them. However, human beings can derive support from measures in managing the control, but it must be remembered that control does not work just because of the measures.

2.5.5 The Balanced Scorecard

Various systems of measurement, with different points of departure, have been elaborated on by experts (Tangen 2003). The systems suggest different combinations of performance measures to obtain a total view of the company (ibid). The systems can have a horizontal approach, with focus on the flow of the value chain, while others are formulated vertically, working their way down the organization from the top level (ibid). Perhaps one of the most discussed systems is the Balanced Scorecard.

The Balanced Scorecard was the result of a North American project in which people from the university, consulting, as well as the business world were involved (Ax, Johansson & Kullvén 2002). The Balanced Scorecard is based upon four different perspectives: *finance*, *customer*, *internal business* and *innovation and learning* (Kaplan & Norton 1992). Worth mentioning is a fifth perspective, often included in the Nordic versions of the Balanced Scorecard, which focuses on the employees (Mårtensson 2007). The financial perspective focuses on how the company looks to shareholders and includes financial measures such as sales and operating income (Kaplan & Norton 1992). The customer perspective takes the customer’s view of the company and focuses on measures associated with quality, time and service. The internal business perspective deals with translating the customer-based measures into internal measures, directed towards those activities and processes important for the company to meet customer expectations. Important factors can include quality, employee skills and productivity. The innovation and learning perspective embraces factors associated with the constant challenges companies face due to hardened global competition. Measures within this perspective focus on, for example, process and product innovation.

Along with the development of the view of the company and changing environmental conditions, a need for multiple measures has arisen. Executives argued during the 1980’s that financial measures were not sufficient for measuring performance and demanded measures of an operational character (Kaplan & Norton 1992). Kaplan and Norton (1992) accentuate in their article the importance of having a combination of both financial and non-financial measures, and that managers should not have to choose between the two. The Balanced Scorecard captures a variety of measures, both financial and non-financial, and provides an alternative model for steering an organization. “The Balanced Scorecard provides executives with a comprehensive framework that can translate a company's vision and strategy into a coherent and linked set of performance measures” (Kaplan & Norton 1996). The model alone

is considered to give sufficient information for the managing of the company, and to give it possibilities of advancing (Ax, Johansson & Kullvén 2002).

The four perspectives should be equally balanced; one should not be outweighed by another, because of their equal importance in the long run (Kald & Nilsson 2000). Kald and Nilsson (2000) suggest limiting the number of measures to 20, in order not to lose focus. Companies can manage with two dozen measures to formulate and communicate their strategy; still, companies tend to consider this to be insufficient, when measuring their operations (Kaplan & Norton 1996). Kaplan and Norton (1992) argue that “companies rarely suffer from having too few measures”. The measures are derived from the critical success factors, which are important for the implementation of strategy (Kald & Nilsson 2000).

2.6 Two perspectives of the firm and its behavior

Today's organization theory is divided among a number of different schools of thought, and it is difficult to establish an overview of the area, since organization theory is treated by many different academic disciplines (Johansson 2002). Many textbooks bring out the theoretical and rational perspective of the firm, while others draw attention to a more critical view. Below we present the neoclassical and the institutional perspectives.

2.6.1 The neoclassical perspective

The main object for the firm, according to neoclassical theory, is to maximize profits (Ax, Johansson & Kullvén 2002). This is also called the “theory of the firm” (Pindyck 2005). Efficiency is manifested in the only goal of maximizing profits, and efficiency is thus the core problem (Ax, Johansson & Kullvén 2002). The assumption of profit maximization forms the basis for decisions firms have to make concerning the quantity of labor, capital and raw material that are used in production (Pindyck 2005). Furthermore, the theory describes how these decisions depend on the price of the factors of production, and the price the market is prepared to pay for the produced output (ibid). To fulfill the goal of maximizing profits, the firm seeks the equilibrium point, which is the point with the optimal combination of the amount of input and output (Cyert & March 1963). The firm is also assumed to operate within a perfectly competitive market, and to have access to information necessary for making decisions with respect to profit maximization (Cyert & March 1963; Ax, Johansson & Kullvén 2002). The neoclassical perspective depicts the firm as a “black box”, where input is converted into output, the latter with a higher value than the former, without taking into consideration how the conversion is done (Ax, Johansson & Kullvén 2002). The neoclassical theory departs from the view that firms' behavior is rational and based on taking only those actions that will lead to maximized profits (ibid). Price setting and decisions about production quantity are also made with the goal of profit maximization in mind (ibid).

Reactions to the theory of the firm have been presented regarding the lack of similarity to firms in the real world. First, it is claimed that profit maximization is only one goal of many and sometimes not even a goal at all (Cyert & March 1963). Second, the real firm only has a few of the characteristics the firm of theory is assumed to have (ibid). For example, firms in the real world are complex organizations with control problems and a human element, which is something that the theory ignores (ibid). From the neoclassical theory, which is not a reflection of the real firm, ideas that lean towards a more behavioral-oriented view have developed. The behavioral theory of the firm aims to explain how real firms act, which is something the neoclassical theory fails to do (Ax Johansson & Kullvén 2002). The model of satisfactory profit reflects the firm's limited rationality; however, the firm is still seen as a

closed system, with no connections to its surrounding environment (ibid). The closed system has been subject to criticism, and an open system, where companies are assumed to have connections to its environment, has gained ground (ibid).

2.6.2 The institutional perspective

Considering our interpretative research approach, we find it appropriate to shed light upon the institutionalized organization. Since the end of the 19th century, the term *institutional* has been in use within sociology (Johansson 2002). The concept has not been elaborated on much, and it has many different significations. It is not a concept solely used within sociology; institutional theories have been developed within other social science disciplines (ibid).

A broad definition of the concept of institution is presented: “Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior” (Scott 1995, see Johansson 2002). Others perceive the institution to be constructed mainly of norms and valuations. Johansson (2002) makes a general summary of the two perceptions and argues that an institution is “an organized and established structure or procedure, based on more or less given – formal or informal, conscious or unconscious – rules”⁷. He also argues that “every institution is a product of human action, but it does not mean that it therefore has to be consciously designed”⁸. Meyer and Rowan (1977) clarify that “formal organizational structures arise as reflections of rationalized institutional rules”. They argue that “institutional rules function as myths which organizations incorporate, gaining legitimacy, resources, stability, and enhanced survival prospects”. A way for organizations to raise their legitimacy and survival prospects is to incorporate the practices and procedures that first have been defined by existing rationalized concepts, and organizations are also driven to do so (Meyer & Rowan 1977). To gain legitimacy an organization can “join” the institutional concept, however, some problems follow from conforming with this concept. Meyer and Rowan (1977) argue that problems can occur since organizations think that the formal structures give them control and possibilities of coordinating activities, and hence believe that their organization becomes more rational. For example, some professional groups think that certain activities can best be done by following a special method, and done in accordance with an organizational procedure. Meyer and Rowan call this phenomenon *institutional myths* and argue that it becomes “legitimate”, and that questions are seldom raised about its efficiency (Johansson 2002).

Meyer and Rowan (1977) present an example of myths in which school budget systems were studied and whether they were adopted for the purpose of allocating resources more *rationally* and *objectively*. The result of the study showed that the systems were not integrated with the daily processes in the organization as much as they should have been; the actions that workers performed in the daily processes of the organization were only “loosely integrated” with the systems. Meyer and Rowan (1977) therefore claim that the school budget systems have the character of a myth, and call the phenomenon *decoupling*. Baxter and Fong Chua (2006) refer to DiMaggio and Powell (1991) who discuss the phenomenon of decoupling and claim that “structural change in organizations seems less and less driven by competition or by the need for efficiency. Instead,...bureaucratization and other forms of organizational change (such as the implementation of budgeting systems) occur as the result of processes that make organizations more similar without necessarily making them more efficient.”

⁷ Our translation

⁸ Our translation

Baxter and Fong Chua (2006) discuss management control and its ability to enable organizational planning and control. According to them, the institutional frame can be seen as a criticism of traditional ideas, which see organizations as being “bounded, relatively autonomous, rational actors that exercise strategic choice in the design of managerial accounting and control system” (Baxter & Fong Chua 2006). Institutional theorists argue that “the visible structures, control practices, and routines that make up organizations are the consequences of legitimated templates that are established (or institutionalized) within the larger environment” (ibid). Baxter and Fong Chua are one of many examples of researchers that represent the view of organizations that take exception to the traditional and rational perspective of the firm, and instead believe in the institutionalized organization.

Companies have a tendency to adapt their organizational models to their surrounding environment and can, according to the institutional perspective, do this by *copying* or *imitating* what others do (Furusten 2007). The imitation can take various forms, and one way for companies to take on new ideas is through *decoupling*. The concept of decoupling means that the company presents a popular model when describing its business and management control, while the actions it takes are not consistent with this model (ibid).

There is no scarcity of management control models; concepts like the Balanced Scorecard, Total Quality Management and Knowledge Management are all examples of relatively new ideas within the world of management control. Mårtensson (2007) argues that fashion might have a finger in the pie with regard to the popularity and the use of these models, and that companies use a “three-letter model” for the purpose of looking good to the surrounding environment. In this way, the management control models give organizations legitimacy and status (Mårtensson 2007).

3. Method

For our part, the choice of method is very important, since the chosen interpretive approach can, if the choice of method is not observed carefully, lead to affected “correct” answers, which do not reflect the truth we are after. If the answers sought were sensitive for the companies to hand out, the interviewees may have been tempted to give answers that merely sounded good outwards, which was something we wanted to avoid. With this in mind, we consider the choice of method to be of great importance to the result of the essay.

3.1 Research approach

When presenting knowledge about society, organizations or human behavior, there are two main research methods to choose from. The two approaches are called deduction and induction (Andersen 1998). Scientific conclusions can be drawn from both of these two approaches (ibid). The concept of deduction implies drawing conclusions about individual occurrences based on general principles (ibid). The inductive approach involves, beginning with observations in real life, trying to conclude the frequency to theories (Wallén 1996). We believed that it would be difficult to stick fully to one of these types, and we therefore chose an abductive approach, a mix between deduction and induction (Alvesson & Sköldbberg 1994). Since we utilized interpreted interview data, which was compared to the textbook theories, both approaches would inevitably be involved, and that led us to employ the abductive approach.

During the work with our essay, we used an interpretive approach. Given that we intended to go deeply into the questions under investigation, we thought it important to interpret the information we gathered. When interviewing, we searched for people’s experiences from earlier events, which were not always discernible and apparent to comprehend. The chosen approach had to be interpretive for us to be able to understand the information we obtained. A factor that affected the interpretation was our personal backgrounds, of which we had to be very much aware. The intention was of course to have the most neutral and objective outlook possible when interpreting the information. The data generated through the interviews was then compared to the theory presented within the subject of exploration.

3.2 Implementation

By the interviews we carried out, we tried to get an idea of whether measures are used within the companies and whether they have become more numerous throughout the years. We chose to focus on three different companies and we interviewed two persons at each company. The choice of companies was not a central issue; we chose to pick companies from the contacts we had and the possibility of speaking to the appropriate persons. One condition, logically, was that the chosen companies were of such size that they used some form of performance measures.

3.2.1 Method of information collecting

A qualitative approach implies that focus is placed on few investigation units and information from each of them is abundant (Holme & Krohn Solvang 1997). The quantitative approach instead focuses on a larger number of investigation units but with less information about each unit (ibid). Quantitative information is collected in such a way that there is little, if any, room

for the personal reflections of the interviewee (ibid). The qualitative form of gathering information is the opposite to the quantitative approach. It is less structured and the information is assembled in a manner which more resembles an ordinary conversation (ibid). It is done in this form in an attempt to induce the interviewee to share his or her own ideas and opinions about the topic under discussion.

In our case, we considered the qualitative collection of information to be more accurate, since we were not looking for standardized “correct” answers, but the opinions and experiences of individual persons. Since we wanted interview situations that were more like a conversation than an interrogation, we preferred to use the qualitative method. Other sources of information that were used during the elaboration of the report were article searches in various databases made available by the library. We also utilized a large quantity of literature, from which we got the necessary theory concerning our subject area. The theory was then compared with practice.

3.2.2 Interview method

A researcher has two choices when deciding on what interview method to employ: qualitative or quantitative. A quantitative interview means, according to Holme and Krohn Solvang (1997), that all interviewees receive the same instructions. However, this does not mean that the information is perceived in the same manner by everyone; there is a great probability that perception differs from one individual to another (Holme & Krohn Solvang 1997). A qualitative interview is more similar to an open conversation, where the steering of the conversation is very limited (ibid). For our purposes, the open interview was the most appropriate type, as it is designed to give a deeper understanding of, for example, a person’s behavior, motives and personality (Andersen 1998). By utilizing the qualitative method, the answers received cannot be regarded as representative of all companies; they are only valid for those interviewed at the chosen companies (Holme & Krohn Solvang 1997). When there is a question about people’s opinions, the number of interviewees does not matter. Whether interviews are conducted at one or a hundred companies is unessential, since it is not possible to generalize when it concerns people’s opinions and experiences.

3.2.3 The interview procedure

As described above, when employing a qualitative interview form, there is a search for the interviewees’ personal experiences and opinions, and therefore it is important that the interviewees steer the interview to the greatest extent possible (Holme & Krohn Solvang 1997). There is no easy way of measuring people’s opinions; it has to be done through a deeper interview (Wallén 1996). The questions put during an interview of this type have to be suited to the individual, and when opportunity is given, deeper questions should be posed (ibid). Since an open interview form was utilized, our intention was to search for questions which could provide us with a deeper understanding of what the real experience and opinion of the interviewee was. Our interviews were not supposed to include leading questions to which we could expect certain answers; instead, we intended to use questions of a more all-embracing character, consistent with the qualitative interview form. It was of great importance that the answers we received were as close as possible to the true experience the interviewee had about the management control system and the measures. We believed that the risk of being provided with “correct answers”, which were based on current and generally accepted theory, was large. By “correct answers” we mean, for example, controllers giving answers, based on theory, which they believe the surrounding world is expecting from them,

thus hiding their real opinion concerning measures and models. Those who were interviewed were not provided in advance with information about the purpose of the study in order to avoid leading them onto a certain track. We wanted their true opinions to be expressed spontaneously by the interviewees, and we were not seeking what could be perceived as correct answers. It was also important that we tried to be alert for the reactions of the interviewees as we posed our questions. A reaction of irritation or exaltation for example served as an important part of the basis of our interpretation of the information. Hence, it was of great importance for the breadth of the interpretation that we understood and could analyze the reactions given during the interviews. The interviews took place at the respective workplaces of the interviewee, in order for them to feel comfortable and secure.

The ideal situation would have been for us to participate in managerial meetings, in a passive and observing capacity. By participating in managerial meetings in such a way, we would have been able to catch the true and real opinions and thoughts about measurement and its usage in the organization more easily. In addition, we would have preferred to interview a greater number of managers at different organizational levels and positions in order to hear more opinions concerning the significance of measures and measurement.

3.2.4 Collection of primary data

Our primary data is comprised of the interviews we conducted at the different companies. The information we collected from the interviews was interpreted based on our theoretical framework. The company material obtained concerning the management control systems is also included in the primary data category. As the data collected by us is not prepared as thoroughly as the secondary data, the reliability of the secondary data might be superior to that of the primary data.

3.2.5 Interpretation of data

Andersen (1998) argues that the data is prepared to structure the collected material, and that this will give rise to a good overview. When a quantitative method of data collection is used, all information is already organized in advance, and is therefore ready to be analyzed (Holme & Krohn Solvang 1997). Since we employed the qualitative method, the work associated with organizing and analyzing the data was more time-consuming than it would have been if a quantitative method had been used. According to Andersen (1998), concrete guidelines to follow when analyzing qualitative data are missing. This means that our creative ability was tested during the procedure of interpreting the data, and we were also faced with the challenging task of performing the interpretation without our own preconceived notions. Nor could our interpretations differ from one interview to another; it was important to interpret different information in the same manner.

3.3 Validity

Validity is, according to Andersen (1998), a term that describes the concurrence between theory and empirical data, and encompasses the underlying concept of *relevance*. The term relevance focuses on whether the empirical data is relevant with respect to the chosen research topic. Considering our research topic, and the qualitative character of the report, relevance is of great importance.

The six interviews we conducted with individuals at different organizational positions, all of whom, in one way or another, had a close connection to the management control system and could provide us with abundant information concerning their opinions and experiences within the area of research. The advantage of being able to interview the “right” individuals, which was possible thanks to our tutor and personal contacts, strengthens the validity. We believe that our choice of method, with open interviews, also contributes to increase the validity, since the chosen interview form provided us with experiences and reasoning around our questions to a greater extent than straight answers.

3.4 The practical work with the interviews and the interview material

Everything surrounding the first four interviews worked out very well, and both of us could participate in conducting them. However, the two last interviews did not come about as expected; they were delayed and only one of us could conduct them. Evidently, the interview material was obtained later than expected and the practical work concerning the preparation of the interview material was complicated by the fact that we could not handle it together, as was the case with the first four interviews. Nevertheless, in the end it all worked out well. Of utmost importance was the fact that we could conduct the six interviews we had planned from the start.

All the interviews were recorded, and none of the interviewees had a problem with this. For us the recording of the interviews had many advantages. First, it was easier to focus on things other than the words uttered during the interview. Considering our interpretive approach, it was important that we could catch the interviewees’ reactions and attitudes to the questions posed. Second, as we make use of many quotations, it was a great advantage to be able to go back and listen to the interviews once more. Furthermore, it was good to have every single word said recorded; when listening to the interview again we made interesting findings we did not notice at first.

After an interview was conducted, we tried to compile the data as soon as possible in order to be better able to remember what we had experienced. We listened to the recorded interview together, and at the same time, we individually wrote down what we found useful for the essay. We did not print the interviews as a whole; instead, we summarized the parts we found important and central. Then we went through the printed material, and where necessary, we filled in each other’s gaps. The written material was then subject to our interpretation. We thoroughly discussed what had come to light during the interviews, and how we experienced the interviewees’ attitudes and opinions, including those things that were not necessarily expressed in words. We talked about how we had interpreted their behavior and reactions, which was an important aspect, bearing in mind our interpretive approach.

When interpreting the interviews, we had to make sure that our interpretation was based on the qualitative approach we had chosen for the essay. The data collected from the interviews is based on six different individuals’ experiences and opinions, and it was important that we tried to interpret all interviews and interviewees in the same manner. Since the qualitative method demands an interpretive approach, it was of great importance that we were attentive to the interviewees’ underlying and true experiences, and not only what they explicitly expressed. We had to be aware of the possibility that they could say one thing and mean another, which was something that could provide us with valuable input for our analysis. It has to be said, however, that the interpretations are not guaranteed to be totally objective, since they might be colored by our own personal experience and prejudices. However, we

have tried to interpret the material as objectively as possible, and as we are two authors, we can monitor each other and be aware of each other's subjectivity.

4. Empirical data

In the following section we present the empirical data we have obtained from the six interviews. The data is sorted in such manner that all information regarding one and each company is to be found in one segment. The section ends with a summary of the empirical data.

4.1 Swedbank

4.1.1 The company

The Swedbank group is active mainly in Sweden, with 470 offices spread over the country, but is also present in other parts of the world, to a relatively large extent in the Baltic countries (Swedbank 2007a). The number of private customers is as high as 9 million, and business customers account for 475 000 (ibid). The group has in total 21 750 employees (Swedbank 2007b).

4.1.2 The interviewees

The two interviewees at Swedbank are region controller Steve Parker, and Tracy Wade, office manager. Parker is seen as the *administrator* of the management control system while Wade represents the *user* of the same system. The first interviewee at Swedbank was region controller Steve Parker. His responsibility comprises the west region, which includes Västra Götaland and Värmland. Parker has been working at Swedbank for the past twenty years. For several years he worked as financial manager, and he has been region controller since 2004. His work today deals mainly with following up the development of results and sales. Accounting issues, profitability issues and practical management control questions also fall into his area of responsibility. During his university years, Parker studied accounting and financing, cost and revenue analysis at the School of Business, Economics and Law at Gothenburg University.

The second interview at Swedbank was held with Tracy Wade, office manager at one of the offices in Gothenburg. She has been office manager since 1993. Wade describes her work as running a small company within a large company, with its own balance sheet, and profit and loss account; she is therefore responsible for costs and revenues. Her responsibility covers running the unit as well as possible, and profitability and sales volume are factors of great importance. Much of Wade's work consists of personnel planning and making sure her employees do good business. She also takes care of the office's budgeting, staff training and marketing. The overall goals Wade and her work group work towards are set by upper organizational levels and are expressed in terms of percentage increases in sales and revenues.

4.1.3 The management control system

The management control system Swedbank employs takes the form of a balanced scorecard, divided into five areas. Parker emphasizes the importance of a model that balances; no area can outweigh another. The office business is intended to develop in a balanced way; in the long run, the development of each area is dependent on the others. If the customers are happy, sales volume increases and profitability improves. However, the areas observed are weighted

differently, giving relatively more weight to some areas than others. Much emphasis is placed on customer satisfaction. The scorecard is available for office managers once a month.

The appearance of the scorecard is changed every now and then, but only slightly, in order not to lose continuity. If changes are made too frequently, there is a risk that the credibility will be lost. Changes that are made can include changing the measured parameters and adjusting their weights, depending on what is considered most important at the time. The Swedbank organization is divided into nine different business units, grouped according to geographical location. The scorecard shows the ranking of these business units, based on different measures. The scorecard is also broken down so that each office can have its own scorecard. The offices within a business unit are divided into three parts: the best performing third, the middle third and the worst performing third. Green, yellow and red arrows represent these thirds, and the direction of the arrows shows the position of the unit compared to last month.

The management control system has evolved gradually, with the first prototype introduced in 1994. The current shape of the scorecard has been the same for the past three years. However, there seems to be a trend towards an increasing number of parameters measured. "You learn as time passes,"⁹ Parker says. Next year there will be more parameters as well. At the same time, the number of parameters must not be too large; then "it gets messy," Parker points out.

In addition to the balanced scorecard, Swedbank uses a steering report, which is a collected report within the management control system. This report also comes monthly, and relatively fast, according to Parker, and he comments that there are enormous numbers of transactions within the world of banking. Two years ago, an incentives model was integrated into the management control system. By reaching set targets, the employees can earn an extra month's salary, and every month the status of the incentives model and the actual percentage of the monthly salary reached can be observed. Parker expresses the organization's satisfaction over the incentives model being an integrated part of the scorecard.

For business advisers there is a separate system with reports that show figures for their customers, reflecting sales volume, products and revenues. This individual-level scorecard comprises 25-30 parameters and places great emphasis on customer stock. Another component of the management control system of Swedbank is the individual *target and follow-up system*, where employees get a "stick" recorded for realized sales. This system has been in use for six years; before that, there was no system tracing sales. However, Parker says this system will be changed next year. The shape it has today means one "stick" for one product sold, regardless of the value of the product.

Finally, there is a return model, comprised of different return measures. The bank's equity is distributed over different units and earnings after tax are divided by the allocated capital, giving a figure for each business division's return on equity, ROE.

4.1.4 The interviews

In the Swedbank organization, a large number of figures are produced and registered. Economic reports are compiled everywhere within the company, not only at a central economy division. Parker defends the extensive production of figures by saying, with a laugh,

⁹ Interview 11 Dec. 2007. Henceforth when we quote Parker, we are referring to this interview and all quotations are our translation.

“well, it’s a bank!”. Both Parker and Wade are confident that the number of measures is larger today. Wade says that there is a great difference compared to when she started to work in 1993. Today the information available is both more extensive and more detailed. According to Parker, there are “considerably more measures”, but they are also clearer in their appearance. He claims that IT has been a support and that today’s technique offers possibilities of breaking down the measures. The existing technology makes it easier to get the necessary overview and avoid drowning in details, which is of great importance to managers. Earlier, much work was associated with producing reports, now more time is spent on control routines, to make sure that everything is correct.

In the following-up model, 75 different reports are available, each with ten to twelve underlying “labels”. Parker does not consider the organization to have too many measures, and his belief is that there is a demand for reports from the lower levels. He is confident that these measures are used by office managers and also says that their use can be tracked thanks to employees’ personal identification. Wade is not as convinced as Parker of the suitability of such a large number of reports and measures. She says that there are enormous amounts of detailed data to get from the many reports, but normally she only looks at a fraction of these reports. Wade says that there are many reports available in the system that she never downloads; she picks out a few of them to get an overview. The reports of most interest are cost and revenue reports. However, she thinks that she would have looked at more reports, and in more detail, if her office had not performed as it had. In bad times you have to have better control over figures and pay more attention to details. On the other hand, as the reports are available for download on the intranet and the managers can choose what data to use, Wade does not consider the number of reports to be too large. It would have been different if the reports were delivered in paper form each month. Wade showed examples of how the report system is designed, and that there are eight to nine reports under each of the sixteen “head reports”. “You can imagine that there is a lot to do... I only use a fraction, but some managers have to use them I guess,”¹⁰ Wade says. She uses the information she considers useful, and stresses the importance of “being present in the daily business”. At the same time, a certain amount of information is needed, or you would “fumble in the dark”, as Wade expresses it. There is a great value in seeing the office’s status and to being able to compare its performance to others. “I would not want to be without reports. That would feel really weird,” Wade says confidently.

Wade thinks that the scorecard for her office, which comes out once a month, is interesting and contains valuable information. This information is also communicated to the other employees at the office. Wade is of the opinion that it is not good when there is too much paper and hence likes the scorecard that has a lot of information on one single sheet.

Both Wade and Parker believe that what gets measured gets done, even though Parker seems to be more convinced that this is the case, and easily falls into the measurement talk whatever the interview question is. Wade’s approach is more tentative, but her conclusion is still that what you pay attention to, i.e. what you measure, is what you prioritize.

One of the purposes of measures and measurement is decision-making. Since Wade represents the user of the model, she is also the one providing information about the possible benefits of measures and measurement for this decision-making purpose. Wade unquestionably makes many decisions. Most of the decisions she makes concern business issues, such as the pricing

¹⁰ Interview 13 Dec. 2007. Henceforth when we quote Wade, we are referring to this interview and all quotations are our translation.

of products and services, and negotiation matters with customers. Many decisions are made by the employees themselves, but when matters are more difficult and the employees cannot reach a settlement, Wade has to make the final decision. Decisions related to matters appearing at the front register are whenever possible based on an outcome from a data system, where the marginal is shown. Anyone can see the result from a run in the system, so when Wade has to make a decision, she has to trust her instinct and experience, and more focus is put on the overall picture. “There is lots of support to be had from systems, but ultimately, you have to go with your gut”, Wade says.

4.2 Stena Line

4.2.1 The company

Stena Line is one of the world’s largest ferry shipping companies and offers sea transport for business, private and freight purposes (Stena Line 2007a). The company is privately owned by the Stena family. The number of employees reaches 5 700, most of them working onboard (Stena Line 2007b). Stena Line is described as a decentralized organization, in order to ensure a decision-making that is close to the market and the customers (ibid). The company focuses on three different business activities: *travel*, *onboard* and *shipping/harbor* (Stena Line 2007c). *Travel* focuses on passengers, cars and package tours, *onboard* includes restaurants, shops and gambling and *shipping/harbor* covers freight transportation and harbor activity.

4.2.2 The interviewees

One interview was conducted with Bruce Bryant, who works with *Corporate Planning and Control* and he represents the role of the *administrator* of the management control system. He is responsible for the system and has had the same position during his seven and a half years at Stena Line. Bryant is responsible for the process involving economic planning in the company, which, among other things, includes the big budget process and the creation of the business plans.

Our second interview was a meeting with Henry Green, who works as an operational manager within the travel division, with focus on Germany. Green has been working at the company for the past 35 years and has had many different positions, such as the producer of the management control system, the person responsible for the budget process, and the builder of an economy system. His position today means that he is at a lower organizational level than Bryant, and is more of a *user* of the measurement model. Yet, he has a large responsibility at the company.

4.2.3 The management control system

Stena Line formerly used to work with the Balanced Scorecard but at the end of the 90’s the Balanced Scorecard was abandoned and the company now mainly works with a budget system. According to Bryant, Stena Line has, since the abandonment of the Balanced Scorecard, become a more profitable company and he partly credits the change of system for this. It was a “contributory cause”¹¹, Bryant explains, and he claims that the budget “creates understanding” in the company in a way the Balanced Scorecard did not.

¹¹ Interview 6 Dec. 2007. Henceforth when we quote Bryant, we are referring to this interview and all quotations are our translation.

The budget process is performed once a year and every cost unit manager does his or her own budget. All these “cost unit budgets” are then gathered and together they form an overall budget for the whole company. The budgets are, according to Bryant, very detailed and they are followed up every month. Green states that the budgets are the tool “that we work with”¹², and that they are frequently used in the organization to control and manage the company. The budget outcome is compared with last year’s outcome and to what was budgeted. Every month many budget reports are generated, which are summarized into a sum-up report by a controller at each division. This report is compiled for the purpose of creating a better overview, and it is the only report that is automatically printed.

The budget system seems to be the main management control system within the organization of Stena Line, but there are a few other supporting systems in use as well. As mentioned earlier, Stena Line has stopped using the Balanced Scorecard and employs today, in addition to the budget, different kinds of systems with the purpose of measuring and controlling the business. Green explains that, besides the budget system, they frequently utilize various *key performance indicators* (KPIs). There is a special system that generates KPIs, which collects the information from many other *supporting systems*. The various supporting systems support different businesses within the company, such as a booking system and an onboard system which support the business onboard the ferries. The KPI system generates lots of information, whose purpose is primarily to support the top management, but also other employees at leading positions in the organization. The KPI system is updated every month with different reports that are accessible on the intranet. There is no control over how frequently the KPI system is used by the managers. There is another system that can support the management staff as well, which is called *the cube*. This is a system where it is possible for the managers to create their own reports, just by selecting different parameters from a list. The conclusion about the opinions about these reporting systems is that Green and Bryant agree on that there is a lot of information, presented as measures, in many different reports.

4.2.4 The interviews

Measures are important within the Stena Line organization, and several parameters are measured. Focus is put on both financial and non-financial measures. Green says that there are a “large number of reports”, which include many different measures. Bryant’s belief is that they sometimes measure too much, with the risk of losing focus on more important things. However, he thinks it is useful to express things in numbers, and therefore it is positive if things are measurable. The report system, which supports the top management in the organization and serves as a complement to the budget, includes, according to Green, too many KPIs and he says that “we break them down into too many dimensions”. Important financial measures are volumes, freight, average contribution, revenue growth and costs. There is also a number of non-financial measures that Bryant mentions as important to Stena Line, such as absence due to illness, internet bookings, market share and customer satisfaction. The report system that generates KPIs includes a far greater number of measures than those mentioned here, and more measures are generated by the cube. Green’s opinion about all the measures is that you always want more. You get fascinated by how much information you can get and how large the possibilities are to analyze things. Green looks at

¹² Interview 20 Dec. 2007. Henceforth when we quote Green, we are referring to this interview and all quotations are our translation.

this in a critical way and declares that “you do not always reflect over the use” and he continues by saying that “a lot is *nice to have* but not much is *need to have*”.

We asked both Bryant and Green whether they think that companies tend to measure more today. Bryant’s opinion is that the number of non-financial measures has definitely increased during the last few years, but that the financial measures stay more or less the same. Green, on the other hand, is a little more convinced about the increasing number of measures, and answers the question by saying, “yes, absolutely, but it is not better”. Green has longer experience in the company and can see a very obvious trend towards increasing measurement, and he thinks that the complex IT systems have been a great help. Both interviewees obviously believe that Stena Line measures more today.

During the interviews, we brought up the well-known statement “what gets measured gets done” and sought the interviewees’ opinions about it. Bryant claims that it is true; things that get measured are automatically focused, and those things are the most important things in the company. He says that “it gets more done if it is measured than if it is not”. Green agrees more or less with Bryant and declares that the things that get done are those that are measured. “That is obvious”, he states, and continues by saying, “I think that control and management through measures is really good, but we have to minimize the number of measures”. Decreasing the number of measures is something Green sees as a paradox, considering the information society that we live in today. He thinks that we have to keep an eye on the huge information stream, and make sure that we focus on the information that is interesting and important. However, this is a challenge he thinks can be really tough. He also emphasizes that it is very important to make sure that the measures have quality, and that they really show what they are supposed to show. Both Green and Bryant agree on the truth in the expression “what gets measured gets done”, but according to Green, there are important factors that you have to pay attention to; it is not just a question of measuring everything that you want. You have to “secure the quality”.

We also asked Bryant and Green about their experience of the management control system at Stena Line, and what their opinion of the system is. Bryant thinks that Stena Line’s budget work is rather detailed, and he comments that some people within the organization tend to budget all the way down to account level. He believes that it would be enough to do it in a less detailed manner, but adds that his opinion does not matter. “The overall opinion in the company is that the budget should be detailed”, he says. About the number of reports generated at Stena Line, Bryant says, “we create enormous numbers of reports”. However, he finds it hard to say if there are too many reports, or if the number is at a satisfactory level.

Green, on the other hand, is more critical of the management control system and sheds light on an issue connected to the system and measurement. The problem Stena Line has to face concerning the management control system is that it is hard to create bridges between the different systems in order for them to function satisfactorily. Onboard systems and booking systems are examples of *preparatory systems* for the head report system, which generates KPI reports. Sometimes numbers and measures in the preparatory system do not correspond with those in the head system, and this can sometimes lead to confusion within the organization. Green substantiates this with an example:

If a customer books a ticket to travel to Denmark for example, the ticket price can include breakfast or lunch, which in fact is not a travel cost. The ticket price is split up into two parts: one part that is counted as a travel cost and one part that is

counted as a debt on the balance sheet. When boarding the ferry, customers get a voucher, and when they exchange the voucher for lunch or breakfast the debt will be released, and there will be no debt left on the balance sheet. Not all customers use their lunch or breakfast voucher and a problem arises since there will be, by the end of the month, a debt on the balance sheet which will never disappear. Normally, this debt should disappear when the customer uses his or her voucher for either breakfast or lunch. At the end of the month, there will be a difference that creates confusion because the numbers in the preparatory systems and the numbers in the head system do not correspond.

This difference can sometimes turn out to be as much as one million Swedish kronor, and this is just one example among many. Green worries about the confusion that this leads to and emphasizes how important it is that the information that is being reported is reliable. Green mentions the measure *cost per booking*, which is a KPI that is frequently used but also very often a subject for discussion. Green expresses his opinion by saying, “I do not know how many damn hours and days we have spent talking about this measure”. He continues to clarify how important this measure is, and that they have had huge problems with the definition because it turned out to show different results in different report systems. This happened because of the inadequate bridges between the systems mentioned earlier. Green explains that the measure cost per booking tends to be very difficult and that the decreasing reliability threatens the function of the system. According to Green, there is too much information that is not secured, and this is a huge problem for Stena Line.

Green has been working at Stena Line for a very long time and he starts to talk about the 80’s and the fact that the management control back then was as good as it is today, but with less measurement. “We did not have so many measures, but those we did have were more stable and the consequence was that the organization was more focused on three measures. Everybody could understand them, survey them and control them. And it is much easier to secure and maintain three measures”, Green says. He explains that if you instead have a hundred measures, as is probably the case, much more money and effort have to be spent to maintain them. Green’s opinion is rather clear. He thinks that it is better to have a smaller number of measures that are reliable and which all employees believe contain correct information, than a hundred measures that analyze everything under the sun.

During the interview we talked about whether management control generates value for money, and got the interviewees’ opinions about it. Bryant argues that management control at Stena Line definitely generates value, and says that “it is a way to create structure at the company”. He continues by saying that “it is good to make a business plan but you do not necessarily have to “dress” everything in numbers”. Bryant’s opinion, however, is that it is good to do so. Green, on the other hand, is not as convinced but thinks that management control definitely is important. As we explained earlier, Green believes management control is generally beneficial, but at the same time expresses concern about the problems surrounding the measures and measurement at Stena Line. He claims that all the reports and analyses that they do take more and more time out of their day, when they should “be doing business” instead. Green says that there are enormous possibilities of analyzing anything you would like to, and that this leads to more and more time being spent doing so. Since Stena Line has some problems concerning the definitions of measures, and the fact that there are probably too many measures, much time is spent discussing them instead of just working with things that are “more relevant”. However, Green states that management control enables them to understand their activity, so it is definitely something important, however difficult.

4.3 Company X¹³

4.3.1 The company

Our third company wants to be anonymous and we therefore have some limitations that have to be followed, and the information about the company will thus be limited. It can be said, however, that it is a company active in Sweden and a few other countries with a relatively large number of stores. The company is one of the major operators within its line of business in Sweden.

4.3.2 The interviewees

The first person whom we interviewed at Company X is a regional manager with responsibility that comprises the west region of Sweden, and he will henceforth be referred to as Tom Burns. He is one of five regional managers within the organization. Burns is responsible for ensuring that his region reaches its economic targets, and he also has a supporting function for managers below him, at the level Burns himself once was, before starting his work as regional manager. Burns has had the position as regional manager for one year, but he has been working at the company for almost 18 years. He was manager of one of the many stores for the ten years prior to this.

The second interview that we conducted at Company X was with a financial economic manager in the accounting division, who will hereafter be called Jane Taylor. Taylor works with accounting in the organization and has been doing so for five and a half year.

4.3.3 The management control system

The management control system at Company X is constructed of many different report systems with various measures. No specific model, such as the Balanced Scorecard, is in use and functioning as a management control system. Taylor states, “we follow up different kinds of key performance indicators”¹⁴. The organization used to work with the Balanced Scorecard, but today scorecards are not mentioned or discussed at all. However, Taylor says that it is a question of terminology. According to Burns, they work mainly with budget as a management control system within the company. From what came up during the interviews, Company X seems to use two systems to complement each other: the budget system and the key performance indicators.

The sales division is responsible for drawing up budgets for each store once a year and the work associated with this is extensive. After the individual budgets are drawn up, an external division summarizes them into one large budget covering the whole organization. The store budgets are followed up every week; On Monday morning every store manager has access to his or her budget report on the intranet. However, there is not only one report; many different reports are available in the report system, but the store manager mainly works with one special overview report that sums up all the other reports. The budget is also followed up on a daily basis by other people in the organization, with most of the focus on daily sales. Burns

¹³ This company asked to be anonymous, and is therefore called “Company X”.

¹⁴ Interview 21 Dec. 2007. Henceforth when we quote Taylor, we are referring to this interview and all quotations are our translation.

says that it is possible to analyze everything in detail and refers to his time as a store manager, when he had access to large numbers of reports for analysis. He also mentions that there are many “nice-to-know lists” being generated every week that you cannot really work with; they only contain figures that could be nice to know. An example is the list of the ranking of the stores, which shows numbers you cannot work with but which a store manager might think is “nice to know”. Burns also tells us that many of the store managers do not even understand all the reports. “Not everybody has an economic background”, he says, so they have big problems understanding and using these reports. At the same time, other store managers are keen on analyzing things in detail. Burns claims that the fact that there are store managers incapable of understanding, and therefore using, the reports is a big problem, but at the same time the store manager’s task is not just to analyze reports; there are other important assignments to fulfill. Nevertheless, Burns says that he can clearly observe a positive relation between managers that really understand the reports and stores that present good results.

There is also a supporting system to complement the budget system that generates different reports and includes many measures. Measures are generated by many different systems and it seems that every division has its own system that generates reports, including different measures. The sales division is, according to Taylor, the part of the organization that utilizes measures the most. The division receives reports every month, which are also widely disseminated within the organization. Company X does not have a uniform system for the whole organization, such as a scorecard, that sums up important measures and the interviewees seem to be comfortable with this situation.

4.3.4 The interviews

Company X seems to have a lot of different measures that are generated from many different systems, and we will in this section try to clarify these, and the interviewees’ experiences and opinions about measures and measurement. “We have a great many measures on all fronts within the company,” Taylor says. She continues by saying, “we have too many measures” and that “it is easier to add one than remove some”. She states that people sometimes want an additional parameter to measure, without eliminating an old one. Taylor distinguishes a problem with this practice of adding an extra measure every now and then, and it seems as though she does not really know how many measures the company has in use at the moment. She has also noticed some quality problems associated with the measures as they collect the information from many different systems. For example, one problem is that the measure *sales* can have one definition in one system and another definition in another system. When they then are summed up in a connecting system, the measures do not always seem to reflect the real situation. Insufficient bridges between the systems generate measures that are not reliable, since the information obtained from one system fails to correspond with the information obtained from another. The basis for reliable measures is of course reliable information. Taylor tells us that the top management of the organization has a limited number of measures that are observed and that these measures comprise the data that is published in the company’s financial reports.

The number of measures has increased within the organization, says Taylor, though she does not sound too convinced. Burns, on the other hand, thinks that more measures have not emerged in the company; on the contrary, he believes that there were probably more “nice-to-know measures” a few years ago. The interviewees agree on the correctness of the statement that “what gets measured gets done”, and Burns also states that if you use measures you have to work with them, and important factors are focused on.

In this section, we intend to clarify the interviewees' opinion about the management control system. Burns thinks that the control system in use today is very good and he does not see many problems associated with it. He believes that there is a great advantage to having many different reports available because it makes it possible to work with the right things in the organization. Time after time, Burns expresses his appreciation for figures and says, "I love measures" and "I cannot get enough reports". This is of course Burns' personal opinion, and he makes it clear that not all managers share his view of reports and measures. Burns says that people differ on whether reports are a good tool for performing the organizational tasks; it is a matter of individual taste. He explains that some of the store managers do not like reports as much as he does, and that several of them do not even understand the reports. He thinks that this is a problem because of the previously mentioned positive relation between the understanding of reports and large store profits. Burns does not think that the reports are too hard to understand. He says that they have become even easier to understand since they were changed a couple of years ago. When we talked to Taylor, we asked her if she felt that some of the managers have problems understanding the reports. Taylor answered that "not all the store managers are economists" and then continued by pointing out that "they also have to get the staff working". Although the fact that managers do not understand the reports is a problem, Taylor does not think it is a serious one. However, they try to avoid this "problem" by letting managers with more experience teach those with less. She sums up by saying that "after all, selling is the be-all and end-all".

In order for a management control system to be employed in an organization, it has to give value for money, and we brought up this topic during the interviews. Burns is rather sure that management control generates value for the company, not least because his belief that there is a positive relationship between understanding reports and profits. "Oh yes, they present much better profits", he says when answering questions concerning the advantage of understanding the reports. Management control is about generating reports and measuring important parameters and if the management control system is used properly and functions correctly, it generates value for the company, according to Burns. However, he claims that there might be too many "nice-to-know lists" circulating within the organization today. He points out that, for management control to create value, it is important that reports are understood and possible to work with for the users. It is relatively easy to create reports, but much harder to get them to function well in the daily work. If you manage to solve the quality problem, management control will generate value. Taylor, on the other hand, is more skeptical when it comes to generating value, and says that she thinks that the company sometimes measures too much and she sees this as a problem. Nevertheless, she is convinced that management control is something very important, and that Company X furthermore has been able to focus on the right measures, and she therefore believes that management control generates value. The company has been able to set up distinct and clear goals that have been supported and followed up through measures; therefore Taylor is confident that the management control system gives value for money.

4.5 Summary of the empirical data

Below we briefly summarize the empirical data. The choice of headings is based on the parts of the empirical data we consider most interesting and noteworthy.

4.5.1 Type of management control system

The companies interviewed all have different management control systems. Swedbank uses a balanced scorecard, Stena Line works primarily with a budget system and Company X manages its organization mainly through a report system. However, what the three companies have in common is that they work with more than one system. Even if they have one main management control system, the companies use one or more supporting systems to better fulfill their management control. Swedbank has, in addition to the scorecard, an extensive report system, and an individual incentives system. Stena Line uses various key performance indicators for the purpose of controlling and managing the business, while Company X works with budgets together with the report system. The three companies seem to work with management control in a relatively similar way, as they all use more than one system for controlling, managing and following up their businesses. Another thing the companies have in common is the extensive production of measures-heavy reports, which offer great possibilities to analyze the organizations' performance.

4.5.2 Increased focus on measures and measurement

Measures and measurement are a central part of the companies' management control. The general opinion of the interviewees is that measurement has received more attention, and that the number of measures has increased during their careers. The measures are often divided into financial and non-financial measures, and according to Bryant, the increasing number of measures concerns primarily the non-financial measures. Green, on the other hand, is convinced that there has been an obvious increase of both types of measures. However, there might be reasons to believe that their different perceptions are due to the rather large difference in the length of employment within the same organization. The only one who thinks that the number of measures has in fact decreased slightly is Burns. However, Taylor, who works at the same company, does not share his opinion, and she believes that there are more measures today.

4.5.3 Beliefs of measures and measurement

We have already made clear that all three companies place great importance on measures and measurement, and it is therefore interesting to know their opinion on whether or not the measurement leads to things getting done. It is frequently said that "what gets measured gets done" and we can conclude that all of the interviewees agree with this statement. Wade states that what you pay attention to is what you prioritize, and Bryant is of the opinion that what gets measured is automatically focused on and says that "it gets more done if it is measured than it does if it is not". As far as we can tell, there is no doubt about the fact that the interviewees' experience is that "what gets measured gets done", and hence that measurement plays an important role for the management control.

4.5.4 Information overload?

During the interviews, negative experiences concerning measures and measurement have become apparent. Three of six interviewees are of the opinion that too many reports are generated, with too many parameters being measured. Taylor believes that Company X works with too many measures, and says that “we have a huge number of measures on all fronts within the company”. She explains that there is a tendency add a new measure when needed, without removing another. Green also thinks that the number of measures is too large and that they are messy, which can create confusion among the employees. He emphasizes the importance of focusing on the important information, not least because of the large information stream they face. In addition, Green argues that the measures used have to be of good quality and show what they are supposed to show. This is a problem for Stena Line, where the information and measures generated from two different systems with different definitions of the input information are less than reliable.

4.5.5 Does management control generate value?

Even though there are negative experiences concerning measures and measurement, and the extensive amount of information and large number of reports, the overall opinion that the interviewees have is that management control generates value for their respective companies. Bryant thinks that “it is a way to create structure at the company”, and is confident that management control gives value for money. Burns is also positive to management control, as well as his colleague Taylor, even though she is less enthusiastic. She claims that management control plays an important role in the company, but it is important that it focuses on the right things. Green is more skeptical and mentions that management control demands more and more of the managers’ time, and that a lot of money is spent on its maintenance.

5. Our interpretation

In this section, we present our interpretation of the empirical data and draw certain parallels with the corresponding theory. The headings follow the same pattern as in the previous chapter. Considering our method and interpretive approach, we think it is suitable to say a few words about how we experienced the interviewees during the interviews. Therefore, we start by describing our interpretation of the interview situation for the respective companies.

5.1 Our interpretation of the interview situation

5.1.1 Swedbank

Both interviews performed at Swedbank were conducted with two persons who both have long working experience within the organization. Parker and Wade both had good knowledge of the management control systems in use within Swedbank, and found it very easy to answer our questions, and they also seemed willing to do so. We did not experience either of them to be nervous or tense. We thought Wade was very honest and revealed her true opinions and experiences, and she willingly showed us on the intranet how the report system was built up. Parker, on the other hand, was less forthcoming and he seemed to be more cautious about disclosing “company secrets”. However, he talked a good deal about the different systems, and with great enthusiasm. We could barely get a word in edgeways, which, however, we found positive. We believe Parker’s talkativeness and enthusiasm are rooted in his pride in Swedbank’s management control system.

5.1.2 Stena Line

We thought the two interviews conducted at Stena Line differed considerably from each other. Both interviewees had good knowledge of the management control system used at their company, but their opinions about it were far from the same. Bryant presented the company’s view of the system and models, and was careful about expressing his own opinions. Green, on the other hand, did not have any problem at all with articulating his personal opinions about management control at Stena Line, and he gladly showed us the report system on the intranet. We did not experience any of the interviewees to be nervous, but Green was particularly relaxed and outspoken. Bryant, even though willing to speak, seemed a little suspicious that we were going to put him to the test. Sometimes we found him to be a bit defensive and he seemed to be playing a waiting game.

5.1.3 Company X

At Company X we found a rather significant difference between the behavior of the two interviewees. Taylor exuded a feeling of confidence and seemed to be secure in her role at the company. Even though she sometimes seemed to lack knowledge of some of the areas under discussion, she always gave a confident and calm impression. Burns, by contrast, gave a much more nervous impression. He seemed to feel inferior and insecure when various concepts came up for discussion. He definitely knew how to use the tools of the management control system, but he seemed nervous talking about the underlying theory and terminology. We also got the feeling that he was afraid of providing us with the “wrong answers”. It was almost as if he felt we were testing him. What is interesting is that, after we informed him that we were satisfied with the interview and happy with his answers, he instantly became relaxed. “I

thought you were going to ask me some really tough questions”¹⁵, he said, and gave out a laugh of relief.

5.2 Type of management control system

As described earlier, all three companies where the interviews took place have more than one system or model in use, for the purpose of administering their management control. Stena Line works with budgets as its primary system, complemented with models that include various key performance indicators. However, until the second half of the 90's, the organization used the Balanced Scorecard to manage the business but then made the switch to the budget system. According to Bryant, this switch was a “contributory cause” to Stena Line becoming more profitable, and he claims that the budget “creates understanding” in the company. The choice to ditch a well-known and popular system for a more traditional one is rather interesting, as the Balanced Scorecard is a very renowned concept in literature. For example, the latest edition of *Controllerhandboken* has dedicated a whole chapter to the Balanced Scorecard, which could serve as a proof that the model has gained a foothold in today's organizations. There are also examples of “numerical proofs” which show that there has been an increase in companies' use of the Balanced Scorecard. Yet, it did not work well for Stena Line, which serves as an example of the difference between what the literature suggests and what is done in reality. Our experience is that the Balanced Scorecard often seems to be considered a good concept for management control. Stena Line, however, believes the budget system to generate better management and control of the company. However, we cannot say whether Stena Line failed to work with the Balanced Scorecard concept as “one should”, and therefore did not experience the supposed advantages. Also Company X has previously used the Balanced Scorecard, but today they do not talk about scorecards at all; Taylor adds that it is just a question of terminology. At a first glance, Company X seems to have abandoned the Balanced Scorecard, but it may well be that they still follow up the various measures but simply do not choose to call their system “Balanced Scorecard”. Swedbank is the only company that explicitly uses the Balanced Scorecard. As mentioned in the theoretical framework, the Balanced Scorecard alone should provide enough information to manage and control a company. However, Swedbank has a number of supporting systems to complement the Balanced Scorecard, and this is a deviation from the idea in the literature that the model alone is sufficient.

Without being able to draw any general conclusions based on these three interviews, we can still see a difference between theory and practice. First, the well-known concept of Balanced Scorecard is abandoned in favor of other systems or models, and second, there is a clear tendency in all three companies to use more than one system.

We can also look at the choice of management control system from an alternative perspective. The institutional theory presents ideas that suggest that companies search for ways of gaining legitimacy and exhibiting rational behavior. Organizations are, according to Meyer and Rowan (1977), driven to adopt practices and procedures that first have been defined as rationalized concepts. Organizations tend to take on concepts and models just to be like others, and believe they then gain legitimacy. There might be reasons to believe that the two companies that previously have used the Balanced Scorecard adopted this system because of

¹⁵ Interview 17 Dec. 2007. Henceforth when we quote Burns, we are referring to this interview and all quotations are our translation.

the fact that other companies employed it, or in an attempt to gain legitimacy and show the surrounding environment that they were behaving rationally. The increase in the use of the Balanced Scorecard can be an indication of the fact that there is a trend towards using the concept, and there is a possibility that the companies interviewed followed that trend in order to gain legitimacy and behave as other organizations. It is important to remember, however, that this is pure speculation on our part.

5.3 Increased focus on measures and measurement

As we established in our theoretical framework, measures and measurement play a considerable role in today's society, not least within organizations. "We measure everything that walks and moves, but nothing that matters" (Neely 1999). Holmblad Brunsson (2005) concludes that the interest in expressing more and more situations in numbers has increased, and argues that this does not offer a clearer picture of the reality. There is great focus on measures and measurement in companies today. Both financial and non-financial measures are used, and according to Kald and Nilsson (2002), the importance of non-financial measures has increased. Here we can see a resemblance between theory and practice. With one exception, all interviewees agree on that there is a greater focus on measurement today, and that the number of measures has increased. Parker claims that there are "considerably more measures" and Green says, "yes, absolutely", while Bryant only thinks that the non-financial measures have become more numerous. It is rather obvious that the interviewees' opinion is that the development is towards more focus on measurement and the use of a greater number of measures. At least within these three companies, there is agreement on with what is expressed in much of the literature.

Green thinks that Stena Line uses too many different measures today, and that they are neither well defined nor reliable. He is of the opinion that measures are an important element in the management control, but he argues that the number of measures has to be limited and that the measures in use have to be reliable. When too many measures are used, especially if they are not well defined, they tend to muddle the situation for the user. According to Catasús et al. (2001), the ideal is to have a small number of key performance indicators, i.e. measures, and Kald and Nilsson (2000) argue that the number of measures should be limited to 20 in order not to lose focus. It seems that Green thinks the theory is right, even though the company as a whole does not. Green, who has been active within Stena Line for many years, says that in the 80's they did not measure as they do today, and the measures they had back then were easy to understand and control. Green compares today's management control at Stena Line with that of the 80's and says, "actually, the management control we had in this company in the 80's was at least as good as it is today".

5.4 Beliefs of measures and measurement

According to the literature within the area of management control, measures often function as a means of getting things done, and this is often expressed by the statement "what gets measured gets done". All interviewees agree that things will be done to a greater extent if they are being measured, since what gets measured is focused on. Parker seems to be very convinced that this is definitely the case. Wade argues that what you pay attention to is what you prioritize, and Bryant is of the opinion that what gets measured automatically gets focused on and says that "it gets more done if it is measured than it does if it is not". Burns says that if you use measures, important things are focused on. However, he does not mention any condition that has to be fulfilled concerning what factors should be measured. What is

measured is what the employees focus on, and if the “wrong things” are being measured it can actually result in the employees working against the company’s objectives (Merchant & Van der Stede 2007). It could of course be the case that Burns is in agreement with this, and that Company X already has identified the key success factors, which is why he is correct in claiming that measures lead to important factors being focused on. Green, on the other hand, is very clear about the importance of the quality of the measures and the importance of measuring the right things.

5.5 Information overload?

What all three companies have in common is that they all generate enormous numbers of reports, and a lot of information is available for analysis purposes. All interviewees agree that there is a huge stream of information, but the opinions about the amount of information produced diverge. The person who expresses the most positive opinion about the large number of reports is Parker, who considers the amount of information provided through reports to be good proportionate, and to be necessary and usable. Wade, who is active within the same organization as Parker, does not share his opinion. She believes the massive production of reports to be excessive, but at the same time she does not care too much, since she chooses what reports to use. She also makes it clear that she would not want to be without reports and considers a certain amount of information to be necessary. Otherwise, you would “fumble in the dark”, as Wade expresses it. Green is confident that the reports generated definitely contain more measures today, but he does not think that it is better. He is skeptical about this increase and believes that handling all the information that is generated is a serious problem. His experience can be linked to Neely (1999), who says that we seem to suffer from “data overload”. Green also mentions that many reports are “nice to have”, while not too many are “need to have”. Taylor also considers the amount of information and number of measures to be too large, and she argues that you risk losing the parameters of real importance. As mentioned earlier, Green is confident that more information is generated today, but he adds that it does not mean that it is better. We found him to have a rather critical attitude towards the huge stream of information; he questions this stream in a way we do not think the other interviewees do. He thinks that there is a serious problem associated with handling all the information and measures that are generated, and that this takes up more and more of their time, time that they could spend doing business. “Maybe you should put more focus on phasing out the information instead of developing the information”, Green says. He does not think that any company has the ability to consolidate all the information generated and adds that “the result is that you put a hell of a lot time and resources into just trying to understand all this, and that is not very efficient”.

6. Final discussion

In this chapter, we make a more detailed comparison between theory and practice, and present our personal reflections. The chapter has the characteristics of a discussion rather than a conclusion, considering the chosen research approach, which inhibits the drawing of general conclusions. Nonetheless, we have made some interesting findings which are worth emphasizing, and these are also described below.

First, we would like to shed light upon the difference we discovered between the opinions and experiences of individuals at different organizational levels concerning measures and measurement. In two of the three companies, we experienced quite an obvious difference between the perceptions and opinions of the *administrator* and the *user* of the management control system and its measures. We noticed some shared features in the differences between the user and the administrator in the companies, which are presented below. The administrator seems to be of the opinion that the management control system in use functions satisfactorily, that it contains measures with relevant information in good proportions. They also seem to believe that the users of the system demand the reports, and that they use the provided information in their daily work. Both Bryant and Parker seem to defend their company's model and report system and they speak in favor of everything linked to it, such as the size and design of the report system. However, there is rather a clear difference between the two in the way they talk about the management control system. Parker appears to be very honest when he expresses his satisfaction over the model, and he speaks about it with pride. Our impression is that he is convinced that the system in use is very well designed, and that it forms a good basis for management control in the company. Bryant thinks that the system used at Stena Line is functioning well and that it is used by the managers. Yet, he says that there are things that can be improved or changed, but he adds that his opinion does not matter too much, since he is not the one making decisions about the system. We got the feeling that Bryant presented the management control system the way his boss would have liked him to, without necessarily believing every word he said. Parker, on the other hand, was very enthusiastic over their system and spoke very spontaneously about it; we did not have to ask many questions to induce him speak. Bryant was not as enthusiastic, and, as a result, we found him to be less satisfied with, and less proud of, the system at Stena Line. The manner in which the two administrators present their respective management control models can be linked to the institutional perspective introduced in the theory section. We find it likely that they want to give a picture of a rational company, with a legitimate management control system that creates clarity and control, and provides good opportunities for the company to reach its objectives. Meyer and Rowan (1977) claim that a way for organizations to raise their legitimacy and survival prospects is to incorporate the practices and procedures that have already been defined by existing rationalized concepts and that organizations are driven to do so. They also say that an organization can "join" the institutional concept in the belief that they will gain legitimacy. We are of the opinion that there is reason to believe that this might be the case with Swedbank and Stena Line, since the impression we got from the two users differed significantly from that given by Parker and Bryant. The users of the management control system present a picture that we perceived to be very honest, and that represents their personal opinions and experiences. Wade and Green are not afraid of expressing opinions of a more negative character about the system, and they do not seem to feel that they have an obligation to present the system as something rational and legitimate. We think that these two different ways of portraying the management control system and how well it functions might depend on the organizational position of the individual. At the higher organizational level, they seem to be more disposed to present a well functioning and thought-out management

control system. The users at the lower level do not feel an obligation to say things that make the company look good to people outside the organization.

A question we put at the beginning of our work with this report was whether measures and measurement form a basis for decision-making. It was rather difficult however to get a clear picture of what kind of decisions were made and on what basis. As an administrator, Parker claims that they produce reports and measures partly for the purpose of supporting decision-making and affecting decisions. However, when Wade talks about what decisions she makes, and on what basis, we get another picture than that provided by Parker. The type of decision Wade says that she makes has an operational character, and the basis for decision-making is often her experience and instincts. At least this is the type of decision she gives as an example when we ask her what kind of decisions she makes. What all six interviews have in common is that not many words are said about decision-making in connection with management control systems. One of the interviewees can barely say what kind of decisions he makes. Holmblad Brunsson (2005) presents a survey with the purpose of finding out whether or not managers use produced reports as basis for decision-making, and the result showed that the reports had a function of confirmation rather than guidance. The picture we get from talking to Wade is of the same nature and gives an impression that the reports produced do not serve as a basis for decision-making. Holmblad Brunsson (2005) also argues that, because of the number of measures, measurement can confuse decision-makers. We found that many of the interviewees seemed to share this opinion. Parker says that with too many measures things get messy, and Taylor claims that you lose the essential information if you use far too many measures. We find it interesting that, when the interviewees talk about decisions and decision-making, they do not spontaneously link this to the reports and the measures they contain, even though all three companies have extensive management control systems which generate large numbers of reports. However, we do believe that the systems serve a useful purpose, but still, this was not brought up during the discussion about decision-making.

One part of our purpose was to find out whether the measures have become more numerous. After conducting the six interviews, it was obvious that the interviewees believe that the number of measures, as well as the focus on measurement, have increased. In the theoretical framework, we presented various examples of “evidence” that measures and measurement have become more important, both in society as a whole and in organizations. We came across opinions that gave us a feeling that measurement has been taken to extremes. Lindgren, for example, argues that the trend to measure is so obvious and so widespread that it takes on the features of a “collective mania” or a “modern rite” (Hjördisdotter von Uexküll & Lundström 2005). Neely (1999) says that “we measure everything that walks and moves, but nothing that matters”, and we find Green to be of a similar opinion. He mentions that the complex IT-systems provide good possibilities for measuring and analyzing, and says that it is easy to be fascinated by these opportunities. He seems to think that some parts of what his company measures are measured just because it is possible without always thinking about the benefit, and that much of the information produced is no more than “nice to have”.

From the six interviews, we received the impression that there is an extensive production of reports within all the three companies. However, we can see clear indications that the reports are not used as much as the administrators believe. A good example is obtained from the two interviews at Swedbank, where the administrator claims the system is used to 100 %, while the user says that she only picks out a fraction of all the reports. It is interesting that the administrator’s opinion is that the system is fully used, and even demanded, by the managers, while the manager does not seem to pay too much attention to it. We believe that the reason

that the administrator defends the system might be that he wants to show that the company is using a rational and legitimate system for management and control. Meyer and Rowan (1977) argue that groups or companies sometimes think that certain activities can best be done if they adopt a special method, and we think that there could be some truth to this.

We also see a connection to the idea of decoupling, which refers to the situation when companies claim a certain management control system to be in use, while the actions taken in the company do not correspond with the features of the described system. A link to decoupling can be made regarding the management control system at Swedbank. A possible interpretation is that Parker describes the management control system in a way that gives the company a representative and rational facade, while Wade provides us with a picture that does not look like Parker's description. We do not see this as a true matter of decoupling; it would in that case mean that Swedbank uses the Balanced Scorecard as a good company representation while in reality the system is not employed. However, this is not the true story, since Wade says that she does use the system, though only a fraction of it. The idea of decoupling in theory is extreme and implies that companies present one model that is actually not used, which we would not claim to be the situation of Swedbank. Nevertheless, we do see certain features that resemble decoupling.

Considering our interpretative approach, we cannot say that we have come to a number of conclusions; when individuals' personal opinions and experiences are described, no general conclusions can be made. However, we believe that some interesting findings have been made in the comparison between theory and practice, as well as in the differences between the experiences of different interviewees. The institutional perspective gave us a possibility of looking at the material from another angle, and we discovered connections to theory that we probably would not otherwise have thought of. By adding this perspective to the theoretical framework, we broadened our ability to interpret. It is important to remember, however, that the interpretations are made from our experience and through our individual lenses, and hence cannot be considered entirely free from subjectivity. Our truth is not everybody's truth.

7. Final words

In this last section of the essay, we include a brief passage about our contribution within the area of management control, and we end by presenting suggestions for further research.

7.1 Our contribution

With this essay we hope to have provided the reader with a detailed description of management control in practice. The reader has been given an insight into three companies' management control systems. We have also created a picture of how six individuals, at different organizational positions, experience the management control system and measures and measurement.

7.2 Further research

Something that could be interesting to continue with, within the scope of the research area, is the development of the method of data collecting in order to have a possibility of going deeper into the investigation work. As we made clear in the method section, it would have been desirable to have had the opportunity to participate in management meetings, as observers be able to see how things really work and what the managers really talk about. The approach could take the form of a case study, in which a number of weekly management meetings would be observed, resulting in a more in-depth research.

An area that we have not had as the main focus, but which would be interesting to research more broadly, concerns the use of the Balanced Scorecard and other popular management control systems. The literature has introduced the concept of decoupling, which implies that companies present their management control system as something other than what it really is; what they say is not in accordance with the actions they take. We believe that this could form a good basis for a research area, where theory is compared to practice.

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