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Management Control Systems and Entrepreneurship in Lusaka

- A Minor Field Study in Zambia

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Abstract

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Title: Management Control Systems and Entrepreneurship in Lusaka – A Minor Field Study in Zambia

Problem Discussion: Today the pace of changes is increasing dramatically in the society and because of this entrepreneurship is becoming more important for the society's development. African entrepreneurs experience serious difficulties in developing and sustaining effective organizational arrangements and this is an obstacle to entrepreneurial development and the balance needed for survival, growth and competitiveness. Zambia is a developing country where measures need to be taken at all levels and fields of the society to reduce the poverty and one step is to increase the economic growth, innovation and job creation. Management accounting is needed to help decision makers to make good decisions and management control systems are the process where these decisions and strategies are implemented by managers. Entrepreneurship is a management process and encouraging entrepreneurial behavior is one step to long-term vitality of economies.

Purpose: The main purpose with this minor field study is to investigate how companies in Zambia are managed and if the companies are managed in an entrepreneurial way. The authors also aim to investigate how managers in Zambian companies define entrepreneurship and what they believe is needed for future business and entrepreneurial development in the companies and in Zambia.

Methodology: The research is based on a qualitative method with personal interviews with eleven company managers in small and middle-sized companies acting in the formal sector in Lusaka, Zambia.

Conclusion: The authors' conclusion is that small and middle-sized companies in the formal sector in Lusaka, Zambia are managed in a more traditional way than entrepreneurial. However the authors draw the conclusions that there are many entrepreneurial possibilities in Zambia but the Zambian context and business environment makes the entrepreneurial process complicated. The authors believe that reasonable interest rates, consistency in inflation and exchange-rates, less bureaucracy as well as education and access to skilled labor are some of the most vital requirements needed for entrepreneurial development in Zambia.

Proposals for Further Research: As this research indicates the informal sector in Zambia is large and therefore the authors would find a similar research within the informal sector in Zambia interesting. The authors also suggest that it would be interesting to identify similarities and differences in a comparative study with company management in industrialized countries. Additionally, the authors would find it interesting to compare the Zambian managers' management to the management performed by the foreign investors acting in Zambia.

Preface and Acknowledgements

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1 INTRODUCTION

This chapter aims to give an introduction to the researched subject by illustrating the background and problem discussion that explains the actuality of the purpose and limitations of the research.

1.1 Background

In today's world order there is a division between industrialized countries and developing countries. The term developing countries has since the 1940:s been used for a heterogeneous group of countries in Africa, Asia and Latin America that has been offered humanitarian and/or strategic relief actions with the purpose to accelerate the development and in that way reduce the segment between rich and poor (www.ne.se). According to the United Nations system there is no established convention for the designation of developing countries. In common practice, Japan in Asia, Canada and the United States in northern America, Australia and New Zealand in Oceania and Europe are considered as developed regions or areas. In international trade statistics, the Southern African Customs Union is also treated as a developed region and Israel as a developed country; countries emerging from the former Yugoslavia are treated as developing countries; and countries of eastern Europe and the former USSR countries in Europe are not included under either developed or developing regions (<http://unstats.un.org>).

The percentage of the world's population living in absolute poverty¹ has declined since the mid 1980:s. However, the decline is below the pace needed to achieve the international development goal of reducing extreme poverty by one half by 2015. Almost one fourth of the population of less developed regions and economies in transition, 1.2 billion people, live in absolute poverty. Poverty is most pervasive in sub-Saharan Africa and South-central Asia and is related to a wide range of factors including income, health, education, gender and ethnicity (www.un.org).

Zambia is one of the 50 least developed countries in the world and is also one of the 31 landlocked least developed countries and the lack of coast makes trade with other countries difficult. 73 percent of the Zambian inhabitants lives in absolute poverty and have insufficient supply of health service, education, nutritious food, clean water, clothes and residence (www.un.org). The need for contributions is huge and Zambia has presented a strategy for how poverty shall be fought against with help from several countries (www.sida.se). The strategy is formulated in the *Poverty Reduction Strategy Paper* (PRSP) that among other things give an account for the need for investments to stimulate the economic growth in the country. The report describes how the supply of capital and financial services are limited, especially for smaller entrepreneurs. Macroeconomic instability is still a big obstacle for the growth and development of the private sector. Other obstacles are the insufficient competence of the entrepreneurs and leaders, insufficient asset to capital and supplant of the capital market because of the government loans (www.regeringen.se).

Even though Zambia has relatively good prerequisites, because of their supply of copper and fertile soil, the poverty is still a big problem. Some of the explanations can be found in a weak political and economic control, corruption and a fragile democracy. HIV/AIDS have made the situation even worse. A fifth of today's population lives with HIV/AIDS and the epidemic have an influence on the whole society. Zambia also has one of the world's largest foreign

¹ Absolute poverty: Living on less than one US dollar per day (www.un.org)

debts. If the country is going to reach the millennium goal to halve the poverty till 2015, measures have to be taken at all levels and fields of the society (www.regeringen.se).

1.2 Problem Discussion

Entrepreneurship is a complex phenomenon with many definitions. Landström (2000) describes that entrepreneurship is discovering new business possibilities, organizing necessary resources and exploiting the business possibilities on the market. Today the pace of changes is increasing dramatically in the society and because of this entrepreneurship is becoming more important for the society's development. The society needs to develop both bigger and smaller businesses, old as new, to create conditions for a constantly present entrepreneurship that makes it possible for businesses to survive and develop in an unpredictable world (Landström, 2000). It is widely recognized that the supply of entrepreneurial talent is likely to be important for economic growth, innovation and job creation (Henrekson & Roine, 2005). Management accounting is about providing both financial and non-financial information that will help decision makers to make good decisions. These decision makers are people who are interested in an organization and can be managers, shareholders and potential investors, employees, creditors, the government and tax authorities (Drury, 2000). Management control systems can be defined as the process by which managers influence other members of the organization to implement the organization's strategies and can therefore be described as the link between strategy formulation and task control (Anthony, 2007). Entrepreneurship is a management process and encouraging entrepreneurial behavior is critical to the long-term vitality of the economy (Stevenson, 1983).

There are few studies of entrepreneurship and company management especially in Africa where the majority of entrepreneurial firms are very small and operate in the informal sector² (Kiggundu, 2002). Since the 1980:s Africa has undertaken political and economic reforms such as liberalization, privatization and democratization. These reforms have given rise to a new kind of entrepreneur that is either taking over privatized state enterprises or establishing sizable firms operating in the formal sector and all these are in need of good company management. The understanding of basic principles of company management, questions of company strategic management, accountability, precision, responsibility to minority shareholders, social responsibility, and compliance with incorporation regulations such as disclosure rules remain problematic among the emerging African entrepreneurial class (Kiggundu, 2002). African entrepreneurs experience serious difficulties in developing and sustaining effective organizational arrangements, especially as the business moves from the informal to the formal sector, when it faces external threats such as new technology and fluctuations in the political and macroeconomic environment, during succession, or when facing regional or global competition. These obstacles constitute a serious obstacle to entrepreneurial development and the balance needed for survival, growth and competitiveness (Kiggundu, 2002).

Considering this background and problem discussion the authors found the importance of doing a research about how companies in Zambia are managed and if they are managed in an entrepreneurial way. Zambia is in need of entrepreneurial management in their companies and the author's aim is to study how managers in Zambian companies describe entrepreneurship

² Informal sector: Employment which is not formally recognized; workers in the informal economy generally have no contracts, no fixed hours, and no employment benefits such as sick pay or maternity leave. There are no official figures on the informal economy, and it is untaxed (www.answers.com).

and how companies are managed. With information about this the authors aim is to analyze if Zambian companies are managed in an entrepreneurial way and also to get a perspective of what is needed for future business and entrepreneurial development in Zambia.

1.3 Purpose

The main purpose with this minor field study is to investigate how companies in Zambia are managed and if the companies are managed in an entrepreneurial way. The authors also aim to investigate how managers in Zambian companies define entrepreneurship and what they believe is needed for future business and entrepreneurial development in the companies and in Zambia.

1.4 Limitation

Our research is based on interviews with managers in small and middle-sized companies in the formal sector in Lusaka, Zambia.

2 METHODOLOGY

This chapter aims to describe the methodological approach of the study and the research process. The quality of the study will also be discussed in terms of validity and reliability.

2.1 The importance of understanding the context

When carrying out a minor field study it is important to understand the context where the research is made. The study takes place in a completely different culture compared to the authors' and therefore the analysis of the context has been important in order to reach an understanding.

Before departure to Zambia the authors conducted extensive background research about Zambia and on arrival in Zambia the authors had an idea about the country and the subject they were about to study. In spite of that, Zambia and its culture gave the authors many cultural clashes. It took about two weeks before the authors started with the interviews and this time was important since it eased to get a better understanding for the Zambian culture and the situation for managers in the Zambian companies. Many conversations with Zambians and other foreigners with knowledge of the Zambian culture made the understanding for the context greater. This period of adaptation also simplified the author's way to approach and communicate with the respondents. As a result, when the authors started the interviews the understanding for the context was improved.

2.2 Design of the research

The purpose of the research should always be the decisive to what method to use (Trost, 2005). There are two main approaches in collecting the data: inductive and deductive approach. When using an inductive approach the researchers starts with gathering empirical evidence without specific expectations regarding the outcome of the study and then compare it with the theory. The objective with the inductive approach is that nothing shall limit which information the researcher gathers. When choosing a deductive approach the researcher use a theoretical framework as a starting point before conducting their gathering of empirical evidence. This approach may however lead to that the researcher looks for information that tends to support his/her expectations or hypothesis (Jacobsen, 2002). The purpose with the authors' research was to examine how small and middle-sized companies in Lusaka are managed and if they are managed in an entrepreneurial way and the aim was not to test predetermined hypotheses. However, without background research it would be very hard to accomplish a satisfying study. Therefore, the authors chose to use an abductive approach which is a combination of the inductive and deductive approach (Patel & Davidson, 2003).

The authors decided to conduct a qualitative method when performing the research. The qualitative method is much about interpreting information of different kinds, for example motives, social processes and frames of references. When doing qualitative research you get a picture of the whole phenomena and gain more understanding of it (Holme & Solvang, 1997). The quantitative method is characterized by making statistic and mathematical calculations to give explanations to problems and by doing this you want to make the object of the research measurable (Andersen, 1997). However, if the research question is about understanding or finding patterns a qualitative study shall be made (Trost, 2005). The reason for choosing a qualitative approach was mainly due to the fundamental aim of receiving in depth information regarding how small and middle-sized companies in Lusaka are managed. With the objective

to understand how the management is practiced rather than to present statistical evidence of the management in the companies, the authors found the quantitative method not suitable. The research is based on personal interviews which gives the opportunity to explain the questions for the respondents and making sure that they understand and answer the right question, as well as eliminates possible misinterpretations. Personal interviews also offers the researchers the opportunity of perceiving expressions and attitudes among the interviewees which contribute to deepening the base for the later analysis (Birks & Malhotra, 2007).

One of the disadvantages of the qualitative research is that it can be rather time consuming in terms of interviews, data transcription and analysis. It is hard for the researcher to collect the same amount of data as one can in a quantitative research due to the high relative resource demand per respondent. When conducting qualitative research there is also the risk of bias from the interviewer. In other words the answers given by the interviewer might be adjusted to what he/she thinks is expected as correct which can lower the reliability of the research (Birks & Malhotra, 2007).

2.3 Selection of limitations

When choosing companies to interview, the authors decided to interview managers in small and middle-sized companies in the formal sector in Lusaka, Zambia. When choosing who to interview in each company the authors decided that the managers would be the most appropriate assuming they know the most about the company and its management. Since the aim of the research was to investigate how companies in Lusaka are managed and if they are managed in an entrepreneurial way the questions asked in the interviews focused on the overall company management rather than on just the individuals performing in the company.

There are many definitions of what can be characterized as a small and middle-sized company and it can be based on different variables such as number of employees and turnover. The authors decided to use the European Commission's definition of small and middle-sized companies. Companies with less than 50 employees and with a turnover less than 10 million Euro are defined as small companies and companies employing between 50 and 250 employees with a turnover less than 50 million Euro are defined as middle-sized (<http://ec.europa.eu/>). The authors decided to only use the definition regarding the number of employees, because of the difficulty of finding information about the companies' turnover.

2.4 Research Process- Planning, Performance and Criticism

2.4.1 Planning

When using a qualitative method there are many ways to answer research questions. According to Bryman (2004) qualitative research can be divided into different steps:

1. General research question/-s
2. Choice of relevant subjects and places
3. Collection of data
4. Interpretation of data
5. Conceptualization and theoretical work
 - a. More detailed specification of research question/-s
 - b. Collection of further data, back to point 4
6. Writing down discoveries and conclusions (Bryman, 2004)

Before departure to Zambia the authors had a pre-defined problem and an idea about whom and what they wanted to study. The authors did not formulate any hypothesis to verify or reject, because they wanted to be as neutral as possible without having preconceived ideas about what they were going to find.

When choosing relevant sources in Zambia the authors contacted Dan Allbäck and Lennart Bäckman at Chiparamba Foundation (www.chiparamba.com) and asked them for advice and assistance to find a tutor in the field in Zambia. Dan and Lennart helped the authors to get in contact with Kjell Jonasson who has lived and run a company in Lusaka, Zambia for many years and Kjell agreed to assist and consult the authors in the field.

Before departure to Zambia the authors collected relevant theory about the subject which was the foundation for the interview guide that was developed before departure to make sure that the questions were valid i.e. so that what was intended to be measured actually was measured. Qualitative interviews are characterized with great extent of structure and less extent of standardization (Trost, 2005). When designing an interview guide for a qualitative interview the researcher starts with making a list of the question areas. The list should be quite short and bring up big question areas. It is better to keep the interview guide short than making it extensive (Trost, 2005). The authors chose to apply a fairly open interview structure, semi-structured with four question areas (Appendix 2). The semi-structured questionnaire is structured with questions in fixed order but with open answers (Jacobsen, 2002).

In order to further understand the context the authors collected secondary data before departure to Zambia. Secondary data is collected by someone else than the researcher, normally for another purpose (Ghuri, Grønhaug & Kristianslund, 1995). The secondary data was presented by the authors in the background and problem discussion.

2.4.2 Performance

The main part of the author's minor field study was based on primary data. Primary data is such data that the researcher collects in order to find data relevant for the study or for the problem in question (Ghuri et., al, 1995). Fifteen interviews were made in May 2008, but the authors chose only to include eleven interviews because the other four did not fit into the selection of limitations.

Before departure to Zambia the authors had informed Kjell about the selection of limitations to make the process easier when they arrived to the field. Kjell had a great network of contact with small and middle-sized companies in Lusaka and he often had a personal contact with the managers. The fact that Kjell had personal contact with the companies as well as the manager's spontaneity gave the authors advantage of getting in contact with the managers and also making enough interviews to make the research interesting. The interviews were made with different types of companies acting in different business fields. The authors had no involvement in the selection of companies to interview and the selection was made by Kjell based on his business network. The only criteria were that the companies were to be small or middle-sized, performing in different business fields in the formal sector. The authors believed that interviewing companies in different business fields, instead of interviewing companies acting in one single field of business would give a better picture of the general business environment in Zambia. The companies that were interviewed had employees in the range from ten to 250 employees as was decided in the selection of limitations.

Before the interviews the authors discussed the interview guide with their tutor in the field, Kjell to hear his opinion and if he had any inputs and advice in order to improve the guide and avoid misinterpretations during the interviews. Prior to the interviews the authors were uncertain of the respondents understanding of the interview questions as well as the aim with the field study. However, most of the interviewed managers had university degrees and they also had very good understanding for the purpose of the field study. Another challenge that the authors saw before arriving to the field was the risk that the respondents would not be honest in their answers, because of fear of getting them and their business into trouble. The authors handled this challenge by putting together an introduction letter (Appendix 1) where the respondents' possibility to be anonymous and the purpose of the research was declared. The interview persons should always be aware that it is an interview that is being made, and that professional confidentiality is prevailed. They should also be aware of that they do not have to answer all the questions and they can break off the interview whenever they want (Troost, 2005). The introduction letter was handed out to the respondents before the interviews and the authors believe that this gesture created confidence and legitimacy for the interviews. Some of the respondents wanted to be anonymous and therefore the authors have chosen to make all the respondents anonymous.

The interviews were held in English which is the official language in Zambia and the authors had planned to do all the interviews with a tape recorder in order to eliminate misunderstandings. Before the interviews all the respondents were asked if it was all right to be recorded and two respondents felt uncomfortable with the tape recorder and therefore the authors did not use the recorder during these interviews. The authors believed that the best option was that one of them had the main responsibility to ask questions meanwhile the other person took notes and asked complementary questions. The interviews took from 25 to 60 minutes and in that time all the interview questions were answered and the authors were satisfied with the given answers.

Making interviews is a process and a characteristic of processes is change (Troost, 2005). The authors were aware of that the interview may not follow the structure and that they might have to jump between the question areas. The authors had to improvise in order to adapt the questions to each individual interviewed and after every interview it was appropriate to look through the interview guide to see if there were any possible updates that needed to be made.

The authors started to put together and transcribe the interviews in Zambia where they had the information fresh and they still had the possibility to go back to the respondents and ask complementary questions. The interviews that were not recorded were given priority when transcribing because the authors saw the importance of immediately writing down and discussing the notes after the interviews, so that no important information was lost. By doing this the authors do not think that the quality differs between those interviews that were and were not recorded. The authors structured the interviews after the frame in the interview guide and this is the structure which the interviews follow in the thesis. During this period the authors also wrote down their thoughts about every interview so that important thoughts and experiences would not be forgotten before the analysis was made.

After return to Sweden the authors compared the empirical findings that were made in Zambia with the theoretical framework and these comparisons were put together in the analysis. After that conclusions as well as suggestions for further research were made by the authors.

2.4.3 Criticism

All research aim to produce valid and durable results in an ethical and acceptable way. Irrespective of what kind of research that is being made, validity and reliability are questions that can be measured by careful attention to the fundamental issues in the research and also to how the information has been gathered, analyzed and interpreted (Merriam, 1994).

2.4.3.1 Validity

Validity is about doing the right things i.e. that what is intended to be measured actually is measured (Halvorsen, 1992). Validity is another word for relevance and it asks the question of how the result agrees with the reality (Merriam, 1994). To make the study valid the authors used relevant theory as a platform to create valid questions in the interview guide. By doing so the authors made sure that the questions in the interview guide were relevant for the purpose of the research. To increase the validity of the research the authors also compared their interview guide with interview guides from earlier research in the subject and by doing so the authors reduced the risk of missing an area that was important in the subject.

It is essential to interview the “right” people to obtain information that is suitable for the purpose of the current research (Jacobsen, 2002). It was important for the authors to interview the people that had most information about how the companies were managed and therefore the authors chose to interview managers in the companies. The authors believed that the managers were the ones in the companies who had most information and knowledge of how the companies were managed and by interviewing them the authors believed that the validity would be relatively high.

2.4.3.2 Reliability

Halvorsen (1992) means that reliability is about doing the measurements correct, so that they are reliable. Reliability is a question of in which extent the result of the study can be repeated (Halvorsen, 1992). Reliability is problematic in the social science research because of the fact that the human behavior is not static but changeable (Merriam, 1994). When doing qualitative research it is hard to reproduce a study because it is not possible to freeze the social surroundings where the study is made (Bryman, 2004). To increase the reliability the authors used a tape recorder during the interviews to reduce the risk of misinterpretations. In the methodology the research process has been thoroughly described and the interview guide (Appendix 2) is enclosed so that similar research can be made. To further increase the reliability the authors used the same interview guide during all eleven interviews.

Zambia is a developing country and the country is constantly changing and developing in many ways and therefore the result of the research would probably be different in a couple of years. But the authors believe that if the same research would be made today, the result would be the same, and therefore the authors consider the research to have high reliability.

2.4.3.3 Evaluation of the sources

Five of eleven respondents were foreign investors while six of them were Zambian. When selecting the limitations the authors chose small- and middle-sized companies that were active and registered in Zambia. The authors were aware of the possibility that the foreign investors compared to the Zambians experience the management, accounting, culture etcetera in different ways and that this might impact the research.

3 THEORETICAL FRAMEWORK

This chapter provides a frame of references consisting of the theory relevant to the research issue. It aims to explain the fundamentals of entrepreneurship and the use and need for management control systems in companies. Further the characteristics of entrepreneurial management will be presented as well as the authors' framework for the analysis.

3.1 Entrepreneurship

3.1.1 Definition of Entrepreneurship and the Entrepreneur

To find a single profile of the entrepreneur is bound to fail. For each of the traditional definitions of the entrepreneurial type there are numerous counterexamples that disprove the theory. Stevenson (1983) explains that the entrepreneur is not characterized as one kind of individual nor has one behavior pattern and he describes entrepreneurship as an approach to management that he defines as the pursuit of opportunity without regard to resources currently controlled. Experience shows that the definition of entrepreneurship and what research in the area has generated is not clear neither for students or researchers. Research on entrepreneurship has a long history, originally within economic science, but gradually it has expanded into a multidisciplinary field of research (Landström, 2000).

The changeable world and the fact that entrepreneurship is studied in different disciplines make the definition of entrepreneurship unclear. Landström (2000) describes that entrepreneurship is discovering new business possibilities, organizing necessary resources and exploiting the business possibilities on the market. This means that a great variety of entrepreneurs can be identified. It can be people who start businesses based on an entirely new product or service, but also establishment of more handicraft- or service oriented businesses with more imitative products and services (Landström, 2000).

Economic scientists have defined the entrepreneur's role in many different ways, but two dominating definitions can be distinguished. The first definition sees the entrepreneur as an innovator that causes changes at the market. It is the innovation or breaking patterns that stand in the centre of the entrepreneur's actions. In this case the entrepreneur creates unbalance on the market. The second definition sees the entrepreneur as a person that creates and organizes new businesses where the innovative feature isn't necessary. This entrepreneur is called the establishing entrepreneur that often leads the market to increased balance (Landström, 2000).

Landström (2000) describes the entrepreneur as a person that has a superior ability to judge that makes it possible to identify new possibilities and coordinate resources in a more effective way. The entrepreneur must be a generalist that has the ability to combine different types of information. The key to successful entrepreneurship is not to have more specialized information than others, but to have understanding for the whole (Landström, 2000).

Shane (2003) describes entrepreneurship as a process that involves seven different stages. First entrepreneurship is exercised through the opportunity stage. The opportunity can be based on the environment or changes in the environment such as technological breakthrough, social or demographic changes. The second stage is the discovery of the opportunity which means that the opportunities must be recognized and discovered in order for the entrepreneurial process to develop. The third stage involves the decision of exploiting the

opportunity based on the information gathered. The fourth stage in the entrepreneurial process involves acquisition of resources such as lending money in order to be able to proceed with the process. The fifth stage involves strategy formulation which includes overcoming obstacles such as uncertainty. The sixth stage is the organizing process which includes organizing the design of the entrepreneurial process within the company, before the final stage which is performance and realization of the entrepreneurial activity (Shane, 2003).

Existence of opportunity	Discovery of opportunity	Decision to exploit opportunity	Resource acquisition	Entrepreneurial strategy	Organizing process	Performance
1	2	3	4	5	6	7

Source: Shane (2003)

3.2 Management Accounting

3.2.1 Definition of Management Accounting

Accounting is about presenting both financial and non-financial information that will assist decision-makers to make good decisions. These decision-makers are people who are interested in an organization and can be managers, shareholders and potential investors, employees, creditors, the government and tax authorities (Drury, 2000).

Accounting is distinguished into two branches that reflect the external and internal use of accounting information. The first branch is called management accounting and it gives information to people within the organization to help them make better decisions and improve the efficiency and effectiveness of existing operations. Financial accounting is the second branch and it gives information to external parties outside the organization (Drury, 2000).

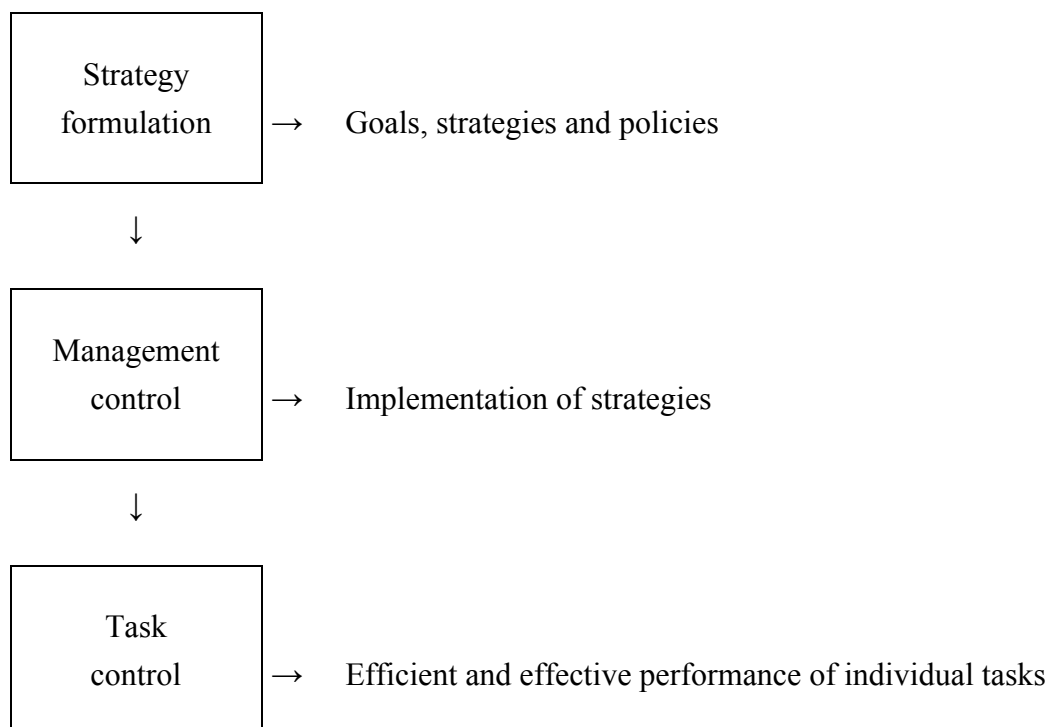
The traditional definition of management accounting express management accounting as the planning and follow-up that is carried out in a business where the unit of measurement is money. Common associations to this definition are budgeting and product calculating. From this point management accounting is only about formalized planning, measuring and follow-up of the business activity on financial terms. This narrow definition has expanded and is still expanding. A more modern definition of management accounting is that management accounting concern intentional influence on an organization and its decision-makers towards economic targets (Ax, C., Johansson, C. & Kullvén., 2002).

3.2.2 Management Control Systems

3.2.2.1 Definition of Management Control Systems

Management control systems can according to Simons (1995) be defined as the formal, information-based routines and procedures that managers use to maintain or change patterns in organizational activities.

Management control is the process by which managers influence other members of the organization to implement the organization's strategies and can therefore be described as the link between strategy formulation and task control (Anthony, 2007).



Source: Anthony (2007)

Merchant & Van der Stede (2007) describes management control as a critical function within every organization. Lack of directions, motivational problems and personal limitations are the main reason for today's need of management control. When lack of directions occur the employees' likelihood of achieving the desired goals are small, simply because the employees do not know what the organization expects from them. Personal motivation is also an important factor to consider and to align the employees' personal objectives with the company's can protect the organization from behaviors that might be harmful. Personal limitations such as lack of information or knowledge reduce the probability that the employees will make the correct decisions. In order for the employees' actions to be purposive the need for knowledge of the organization's objectives is a necessary prerequisite for the design of all management control systems (Merchant & Van der Stede, 2007).

"To have a high probability of success, organizations must maintain good management control"

Source: Merchant & Van der Stede (2007) p. 11

3.2.2.2 The design and use of Management Control Systems

Merchant & Van der Stede (2007) describes different types of management controls and these controls can be focused on the results produced (*results control*), the actions taken (*action control*), or the types of people employed and their norms and values (*personnel and cultural control*). Merchant & Van der Stede (2007) also discuss the major elements of financial

results control systems, an important type of results control in which results are defined in financial terms, involving planning and budgeting systems, financial responsibility structures, incentive compensation systems and culture. To successfully guide the company towards economical targets help is needed in form of instruments of control (Merchant & Van der Stede, 2007).

Results control is an indirect form of control since it does not focus only on the employees' actions. Results control allows the employees whose behavior is being controlled high autonomy which often breeds innovation. Therefore the results control increases the opportunity to autonomy and is suited particularly in creative businesses and environments. Results control rewards the most talented and hard working employees rather than those who have been working with the company the longest. The combination of reward linked to results inform and remind the employee of what result areas that are important for the organization and thereby influence the employee to be concerned about the consequences their actions have. The organization does not order the actions that should be taken, instead the employee is empowered to take those actions they believe will accomplish the desired results (Merchant & Van der Stede., 2007).

Budgeting is one of the oldest instruments of control and organizations use budgets to plan their business ahead to get an idea of what the future will bring and also to review the situation to know how to act in the future (Ax et al., 2002). Planning and budgeting systems increase the amount of management control in organizations because it encourages long-term thinking, achieves coordination and creates challenging but realistic goals. Planning is one of the main purposes of budgeting and decision-making in advance encourages long-term thinking and makes control systems proactive and not just reactive. Coordination is also a purpose served by budgets which gives a top-down communication of organizational goals and priorities as well as a bottom-up communication of opportunities, needed resources, constraints and risks. Everyone involved in the planning and budget process receives more information which makes it more likely that decisions consider all perspectives. Another purpose for the planning and budgeting process is the top management oversight that occurs during the preaction overview as plans are examined, discussed and approved before actions are taken. The final purpose of planning and budgeting is motivation because the plans and budgets become targets that can be linked to performance evaluation that might generate rewards. Employees perform better if they are assigned specific targets that are realistic. One disadvantage with budgeting can be that it does not create a flexible environment and limit possibilities for employees to take their own initiatives (Merchant & Van der Stede., 2007).

Organizational structure is another instrument of control and it includes many different aspects; e.g. the design of an organization, the distribution of responsibility, and the process of making decisions. When it comes to organizational design two perspectives are very common; the vertical and the horizontal. In the vertical perspective the company is regarded as a hierarchy with superior and subordinate units in different levels. On the top of the hierarchy is the owner and on the low level are the individual employees and between them there are various numbers of levels. Out of a control perspective the company is hierarchical where the superior units control the subordinate. The horizontal perspective is seen as a value chain perspective. When a company is seen as a value chain instead of a hierarchy the customers are in focus and this contributes to that the dimensions superior and subordinate lose their importance. The coordination between different parts of the value chain is an important management control in the horizontal perspective. Distribution of responsibility is

an essential instrument of control. It means that the different units in the company have economical responsibility for their performances. Two important principles when distributing responsibility is that the employees shall be able to influence what they are responsible for and also have the authority to do so (Ax et al., 2002).

Simons (1991) has developed a classification system for organizations use of management accounting with focus on top manager's use of control systems. The study suggests that there are fundamental differences in the way that policy-making managers use control systems and the classification can either be diagnostic or interactive. The diagnostic use of accounting systems refers to an instrument that serves a diagnostic role and can be described as an "answering machine". The management accounting process and strategies are approved by top managers and thereafter communicated downwards through the organization. The aim of the diagnostic control systems is to create signals to the top management when something goes wrong. Simons (1991) states that diagnostic control means that formal systems are used to inform top managers and the control system regularly collects various feedback from the process and utilize the information for correction of the process. The other classification is interactive use of accounting systems and can be described as a continual exchange between top management and lower levels of management. Top managers can use the system to personally and regularly involve themselves in decisions of subordinates. The interactive system is used to stimulate face to face dialog and build bridges of information among hierarchical levels, departments and profit centers (Simons, 1991).

Traditional diagnostic systems are oriented to implement past and present strategies and these controls are designed to tell top managers when things are wrong and when actions are not in accordance with plans. This is according to Simons (1991) the easy part and the difficult part is sensing when the conditions are right for seizing new opportunities and shifting path, and this is the reason for using selective control systems interactively. Using selective control systems interactively is a powerful tool in guiding and stimulating the competitive development of the company (Simons, 1991).

Reward systems are used in many companies and there are different purposes for working with these. The most common purpose is to motivate the employees to perform their work better than expected. Another purpose is to make the employees stay longer within the company (Ax et al., 2002). The results of employees' performances can be either rewarded or punished, both in financial and non-financial terms. Performance-dependent rewards are important because they affect the employees' behaviors and tend to motivate the employees. There are different forms of rewards such as monetary rewards, praise, recognition, promotions and titles and Merchant & Van der Stede (2007) describes reward systems as an incentive to align the employee's self interest with the organizations overall objectives. The reward system provides three types of management control benefits. The first benefit is information because the reward can inform or remind the employees the importance of often competing result areas, such as costs, quality, and customer service. The second control benefit is motivation which some employees need in order to put in the extra effort needed in order to perform well. The third control benefit is personnel-related and means that the organization use compensation packages to attract or retain a higher quality set of employees. By offering a high performance-based salary the organization can attract employees that are entrepreneurial rather than risk averse and by doing so the personnel strategy can be controlled (Merchant & Van der Stede., 2007).

Different reward systems are preferred in different countries depending on factors such as culture, socioeconomic status and local income tax rates. However Merchant & Van der Stede

(2007) mentions that the rewards must be valued by the employee in order to provide motivation. The reward should also be large enough to have an impact otherwise the effect can be counterproductive and the employee may feel insulted or react with emotions as contempt and anger. Another important factor is that the employees fully understand both the reason for and the value of the reward since organizations put high expenses into the reward systems and if the employees do not understand them well, the expenses will not generate the desired motivational effects (Merchant & Van der Stede., 2007).

Action controls are the most direct type of management control since it ensures the proper behaviors of the people of whom the organization must rely by focusing directly on their action. Behavioral constraints such as limited physical access or administrative constraints are forms of actions control. The employee actions are limited and the employees are often held accountable for their taken actions. Action control fits best in standardized environments and may diminish innovation, creativity and adaptability in a company (Merchant & Van der Stede., 2007).

Personnel and cultural controls are often referred to as soft controls and consist of e.g. effective personnel selection and placement, training, job-design and provision of necessary resources, code of conduct and rewards. Personnel controls are dependent on the employees' tendencies to manage and/or motivate themselves on their own initiatives. This depend a lot on the employees' ethics, moral and loyalties. Finding the right people for the particular job and giving them the right resources increase the probability that the job will be done properly. Organizations shall devote much time and effort into selection and placement of employees and value such as education, experience, personality and social skills. Training is another way of ensuring that the employees do a good job and provide useful information of what actions and results that are expected and how assigned tasks best can be performed (Merchant & Van der Stede., 2007).

Cultural controls are built on shared traditions, norms, beliefs, values, ideologies, attitudes and ways of behaving. Cultural norms are personified in both written and unwritten rules that influence the employees' behaviors. Many companies have code of conducts which states in what ways the organization is managed and these statements include important messages to the employees and reminds them of the organization's principles. Group rewards is another way for organizations to encourage cultural control and by providing rewards based on collective achievements team work and on-the-job training are encouraged. Cultural controls are important because shared organizational values have become a more important tool for ensuring that everyone is acting in the organizations best interest (Merchant & Van der Stede., 2007). According to Olsson & Skärvad (1995) all companies have a culture which can be described as the organizations inner life e.g. the way to live, think, act and be. The company culture influence peoples decision-making, the communication and it also judges others words and actions and decides what is good and bad, desirable and non-desirable. Some company cultures can influence the company more than other instruments of control. This is because a strong company culture creates purposefulness, motivation and structure. The purposefulness is shown when the employees are working towards the same direction and goals. Motivation is achieved when the employees in the company identify themselves with the company values and working in the company gives them satisfaction. To get the employees motivated the company has to take care of their employees and reward them in different ways. The employees must also be given the opportunity to participate in decision-making. Structure gives instructions that limits and control the employees' actions in a direction that the company management approves. By having a strong culture there is less need for supervision

and control and at the same time there are more possibilities to give the employees on lower levels decision-making possibilities and power (Ax et al., 2002).

3.3 Entrepreneurship and Management Control Systems

Formal management control systems can easily be perceived as an opposing force to entrepreneurship. Management control systems seek to create order and make existent processes more efficient, while entrepreneurship involves renewal and creation of innovations (Lövstål, 2008). Many management control systems are based on ideas about stability and predictability while entrepreneurship is surrounded with uncertainty and chaos. Some management control systems have been blamed for having negative effects on entrepreneurship e.g. reward systems and performance measurement systems have been accused for holding back interaction and teamwork between organizational units which often is seen as a condition for successful innovation. Sometimes it is assumed that essential contradiction between entrepreneurship and management control systems is impossible to overcome and that it rather has to be coped with. A possible way to cope with such contradictions can be to put entrepreneurial activities in separate departments and units with special or less need for e.g. planning and reporting. In this way management control systems are avoided when it is assumed to have a counterproductive character (Lövstål, 2008). Another aspect that can be found in entrepreneurship literature is that management control systems are important in entrepreneurial organizations, just because of their contrasts to entrepreneurship. This is because these systems can have a rational hampering effect on eager entrepreneurs and managers which works as a warning mechanism to extremes of too much innovation (Lövstål, 2008).

Another idea is that there does not need to be contradictions between the two since they can be prevailed. One option is to introduce and use systems that allow and accept entrepreneurial elements e.g. balanced scorecard models that often hold a perspective which focus on a company's goals and ability to innovate, learn and develop (Kaplan & Norton, 1992). Simons (1995) argues that management control systems actually may encourage entrepreneurship and may work as a force for innovation by stimulating dialogue and learning and also by directing attention to strategically right things. However it is explained that the system only and its design may not determine the effects and influence on entrepreneurship. It is rather how these systems are dealt with, how they are understood and talked about and also how they are used that matter (Simons, 1995).

3.3.1 Entrepreneurial Management

Entrepreneurship is not only approached as an ideology, but it can also be seen as a managerial mode (Lövstål, 2008). Entrepreneurship involves a special mode of management, a mode which Stevenson & Jarillo (1990) labels "entrepreneurial management" and they describe that entrepreneurial management acknowledges and supports such things as opportunity-seeking, risk-taking and innovative activities (Stevenson & Jarillo, 1990). Kanter (1985) describes entrepreneurial management with qualities as visionary leadership, planning flexibility and interfunctional cooperation.

Stevenson (1983) describes two different poles in management modes; the administrative and the entrepreneurial. The administrative pole recognizes the need to examine the environment for opportunities but is still constrained by the focus on the resources that they control. The entrepreneurial pole places the emphasis on opportunity, they search for opportunities and they feel that their fundamental task is to acquire the resources to pursue that opportunity. It is

this dimension that has led to one of the traditional definitions of the entrepreneur as opportunistic, creative and innovative. Stevenson (1983) describes entrepreneurial management structure as flat and with multiple informal networks while administrative management is characterized by a formalized hierarchical management structure. When it comes to compensation and reward policy entrepreneurial management is characterized with value- and team-based rewards while administrative management is more characterized with resource-based rewards as well as promotion (Stevenson, 1983). According to Stevenson (1983) formal planning systems, reward systems, performance measurement criteria and risk reduction in decision-making processes are forces that make companies more administrative. Rapid changes in technology, short decision windows, competition and flexibility are examples of forces that makes the companies more entrepreneurial (Stevenson, 1983). It is not a question of choosing between one of the two modes of management. Kanter (1985) and Stevenson (1983) argue that both entrepreneurial and administrative management forms are needed and that there should be a balance between the two. According to Kanter (1985) the administrative form has come to dominate activities in large organizations and therefore there is a request for stronger emphasis on entrepreneurial management.

The entrepreneur is stereotyped as egocentric and peculiar and therefore unable to manage. However, management skill is nonetheless essential and the variation lies in the choice of appropriate tools. The entrepreneur wants knowledge of his or her progress via direct contact with all the principal actors. An entrepreneurial organization is often flat with multiple informal networks. Informal networks arise when the critical success elements cannot be contained within the bounds of the formal organization. Only in systems where the relationship with resources is based on ownership or employment can resources be organized in a formalized administrative hierarchy. These administrative firms often have a need for a culture that demands clearly defined authorities and responsibilities. Entrepreneurial management is often used in companies with a lot of flexibility and where the employees have desire for independence (Stevenson, 1983).

Entrepreneurial and administrative firms differ in their philosophy regarding reward and compensation. Entrepreneurial firms are more focused on the creation and harvesting of value and they tend to base compensation on performance. More administratively managed firms are often less focused on maximizing and distributing value and their desire to protect their own positions and security often guide their decision-making. Compensation is often based on individual performance relative to short-term profit targets and this is why reward systems often push a company toward more administrative behavior (Stevenson, 1983).

Similar to Stevenson (1983) Cornwall and Perlman (1990) describe different aspects captured in terms of two contrasting management modes; traditional organizations and entrepreneurial organizations. Cornwall & Perlman (1990) describes a more entrepreneurial organization as an organization with informal structure and horizontal communication while a more traditional organization is characterized by formal structure and vertical communication. Decision-making in a more entrepreneurial organization is characterized by top management establishing mission and vision but that input from below is encouraged and in a more traditional organization the top management sets narrow parameters. In a more entrepreneurial organization people are viewed as a key resource to be protected while in a more traditional organization people are viewed as an abundant resource that is easily replaced (Cornwall & Perlman, 1990).

Miles & Snow (1978/2003) also describe that control systems can be used in different ways depending on the strategy of the firm and define two strategic types; “prospectors” and “defenders”. Miles & Snow (1978/2003) describes a prospector type of organization as an organization whose most important competence is finding and exploiting new product and market opportunities. In contrast defenders are organizations which have narrow product-market field and they do not tend to search outside their field for new opportunities. Miles & Snow (1978/2003) suggest that the prospectors differ from defenders with respect to e.g. the planning system, performance judgment and control system. Miles & Snow’s (1978/2003) empirical findings indicate that planning in prospector companies is wide and not tied up before action is taken. The control system in prospector companies is according to Miles & Snow (1978/2003) decentralized and based on short-looped horizontal information systems and the prospectors seem to perform control through coordination rather than in formal top-down controls. Simons (1987) has conducted many studies on management control systems and entrepreneurship as a strategic type. When examining differences between prospectors and defenders Simons (1987) found that prospectors used their control more intensively than defenders. Simons (1987) findings also showed that high performing prospectors underlined the importance of control systems such as forecasting data, tight budget controls and careful monitoring of outputs and these findings are contradictory to the suggestions of Miles & Snow (1978/2003) who described the prospectors as having difficulty in using tight and comprehensive planning systems.

Lövstål (2001) empirically studied the relationship between entrepreneurship and management control systems in a medium-sized, fast-growing, entrepreneurial company. When Löfstål (2001) talked to managers in an entrepreneurial company, she found that the use of management control systems during the stage of planning, making decisions and when controlling the business and the organization did not seem to hold back entrepreneurship. Instead the management control systems eased and supported things as creativity, action, learning and risk-taking which are aspects that often are related to entrepreneurship (Löfstål, 2001). The managers at the entrepreneurial company appreciated the budgeting and reporting system and they explained that goals and ambitions that appeared to be impossible to fulfill were through the use of e.g. the budgeting system made into possible accomplishments. In this way the company’s budgeting system facilitated actions instead of being an obstacle for action (Löfstål, 2001).

Lövstål (2001) discusses control within entrepreneurial organizations and recommend the use of different types of premise control particularly controls related to socialization. According to Löfstål (2001) an entrepreneurial organization with strong premise controls do not have as much need for output control and action control. However other forms of control do exist in the entrepreneurial organization. Action control that is characterized by observation of the organizational members or work rules and regulations exist in the entrepreneurial organization but the observation controls is performed by other members in the organization rather than supervisors and through a process of communication and negotiation. Output control is normally interpreted as a control where managers communicate standards or targets and prescribe corrective action from a top-down perspective. Löfstål’s (2001) findings in an entrepreneurial organization shows that the organization perform more of a “shared output control” where all employees are expected to take responsibility in setting targets and evaluating their own work as well as others performance. The lack of formal action and output control in the entrepreneurial organization indicates that they can be classified as “loose” (Löfstål, 2001).

Lövstål (2001) claims that the use of budgets and accounting information does not have a negative impact on the entrepreneurial organization and that it is possible to use the above mentioned information without effecting the entrepreneurial efforts and values. At the entrepreneurial organization the use of budgets holding both costs and revenues was made once a year, however the budgets were not perceived as something that should be held but rather something that should be enacted when considering the sales and revenues. This budget approach does not restrict any possible actions or prevent renewal and change. Another aspect of the use of budgets in the entrepreneurial organization shows that the budget is a tool to communicate goals and can be described as a “potential space for action”. The study shows that evaluation of resources in a more formal way does not exist in the organization and instead there is a cost consciousness which is deeply rooted among the organizations employees. According to Lövstål (2001) the only type of measurement for accounting information and accounting is sales and revenues. This measure reflects and concretizes the organizations overall goal of growth and unite the employees in their effort (Lövstål, 2001).

The entrepreneurial organization that Lövstål (2001) studied is divided into different responsibility centers but the study shows that they are continuously changing and the whole organization is seen as a process and the organization emphasizes open and quick communication (Lövstål 2001).

Lövstål’s (2001) research in an entrepreneurial organization shows that performance is measured, rewarded and evaluated in interaction between the organizational members. Everyone in the organization share the same goals and take responsibility for reaching them and it can be described as shared management. Much theory suggests that entrepreneurial organizations should have formal reward systems but Lövstål (2001) claims that there is no existing formal reward system in the studied entrepreneurial organization. However the research shows that the interviewees find budgets as a form of motivating commitment and non financial rewards as ceremonies and parties are appreciated (Lövstål, 2001).

The conclusions from the study shows that the studied entrepreneurial organization has managed to develop an accounting control practice that goes well together with their entrepreneurial culture. However the study shows that control issues can differ quite a lot from the traditional theories. The formal kind of output control has been replaced by a shared output control and strong control through socialization and the study shows that this is reflected in their use of budgets, accounting reports and measures (Lövstål, 2001).

3.4 Our Framework

Stevenson (1983), Landström (2000) and Shane (2003) are three of many researchers that describe entrepreneurship. When analyzing how managers in Zambian companies define entrepreneurship the authors have not chosen to focus on one single definition because of the many and unclear definitions of entrepreneurship that exist. The authors found it interesting to compare the theories (Stevenson, 1983; Landström, 2000; Shane, 2003) of entrepreneurship to the Zambian managers’ definitions and through this identify similarities and differences.

Accounting is about providing both financial and non-financial information that will help decision-makers to make good decisions (Drury, 2000). Simons (1995) defines management control systems as the formal, information-based routines and procedures that managers use to maintain or change patterns in organizational activities. Management control systems help

managers move organizations towards the strategic objectives (Anthony, 2007). Merchant & Van der Stede's (2007) and Ax et al., (2002) theories about the different types of management controls; results control, action control, personnel and cultural control and the instruments of control; budgeting, organizational structure and reward systems and culture is the framework when analysis is made regarding how companies in Zambia are managed. The analysis will also consider Simons (1991) theory regarding a classification system for organizations use of management accounting with focus on top manager's use of control systems.

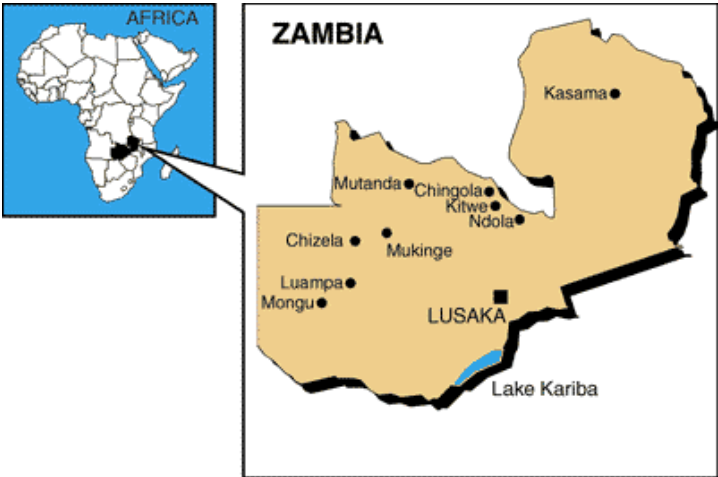
There are different opinions and suggestions regarding the relationship between entrepreneurship and management control systems. However it is explained that the system only and its design may not determine the effects and influence on entrepreneurship. It is rather how these systems are dealt with, how they are understood and talked about and also how they are used that matter (Simons, 1995). Stevenson (1983) describes two different poles in management modes; the administrative and the entrepreneurial and similar to Stevenson (1983) Cornwall & Perlman (1990) describe different aspects captured in terms of two contrasting management modes; traditional organizations and entrepreneurial organizations. Miles & Snow (1978/2003) also describe that control systems can be used in different ways depending on the strategy of the firm and define two strategic types; "prospectors" and "defenders". Further Miles & Snow (1978/2003) describes a prospector type of organization as an organization whose most important competence is finding and exploiting new product and market opportunities. In contrast defenders are organizations which have narrow product-market field and they do not tend to search outside their field for new opportunities. Simons (1987) also has conducted many studies on management control systems and entrepreneurship as a strategic type where he for example examines the differences between prospectors and defenders. Löfstål (2001) empirically studied the relationship between entrepreneurship and management control systems in a medium-sized, fast-growing, entrepreneurial company. The theories (Stevenson, 1983; Cornwall & Perlman, 1990; Miles & Snow, 1978/2003; Simons, 1987) are similar in the way that they describe management in two contrasting poles; the entrepreneurial and the traditional. These different theories (Stevenson, 1983; Cornwall & Perlman, 1990; Miles & Snow, 1978/2003; Simons, 1987) describe the use of management control systems and instruments of control as either more entrepreneurial or more traditional. These theories are similar in some ways and contradictory in other. For example, one theory describes the use of one specific instrument as a more entrepreneurial management while another theory describes this use of the instrument as a more traditional management. The different theories have different names for the two poles, but the authors in this study have chosen to call the two contrasting poles entrepreneurial and traditional. In Löfstål (2001) there is no description of two contrasting poles, but the research gives an example of how an entrepreneurial company uses management control systems which describes how a more entrepreneurial management can be performed. These theories (Stevenson, 1983; Cornwall & Perlman, 1990; Miles & Snow, 1978/2003; Simons, 1987; Löfstål, 2001) are used when analyzing if the Zambian companies are managed in an entrepreneurial way.

When analyzing what the company managers believe is needed for future business and entrepreneurial development in the companies and in Zambia, Shane's (2003) description of the entrepreneurial process will be used. The empirical findings will be compared to Shane's (2003) description of the entrepreneurial process in order to analyze how the Zambian companies function or do not function in the entrepreneurial process.

4 INTRODUCTION TO EMPIRICAL FINDINGS

4.1 Country Information

Zambia is located in the southern part of Africa with an area comparable with the size of Sweden and Norway together (www.landguiden.se). Lusaka is the capital and today the country has a population of approximately twelve million. The country gained independence in 1964 from United Kingdom and today Levy Mwanawasa is the president (www.cia.gov). English is the official language but there are more than 70 local languages spoken in the country. Zambia is known for its rich natural resources and the country is one of the world’s largest producers of copper. Other important assets are cement and textiles that together with copper are the main exports of the country. Today Zambia has great foreign debts and almost one third of the national budget is financed by foreign aid (www.landguiden.se). The unemployment rate is approximately 50 percent and the majority of the employed Zambians are working in the informal sector and do not pay tax. The standard income tax rate for companies in Zambia is 35 percent while the income tax rates for individuals vary between zero and 35 percent (www.pwc.com).



Source: www.sim.co.uk

Information about Zambia in bullet points:

Population growth rate:	1, 65 %	(www.cia.gov/)
Infant mortality rate:	10, 1 %	(www.cia.gov/)
Life expectancy at birth:	38, 6 years	(www.cia.gov/)
HIV positive (2005):	17 %	(http://hivinsite.ucsf.edu/)
Corruption index score (2007):	2, 6 ³	(www.transparency.org)
Population below poverty line:	86 %	(www.cia.gov/)
GDP - real growth rate:	5, 3 %	(www.cia.gov/)
Inflation rate (2007):	10, 7 %	(www.cia.gov/)
Prime lending rate:	15, 5 %	(www.standardbank.co.za/)

³ Degree of corruption: 10 (highly clean) and 0 (highly corrupt)

5 EMPIRICAL FINDINGS

5.1 The Interviews

Company A, 2008-05-09

Background of the respondent and company information

A is a 42 year old Zambian and he is the Managing Director for company A. He studied all the way up to college and is an engineer by profession. He previously worked as a middle-manager in a hardware store and has been self-employed since three and a half years.

The main line of products at company A is tiling, bathroom equipment and lighting. Previously they have had a wider range of products however they decided to focus on the above mentioned products since the other products did not generate profit. A underlines that it is better to do what you are good at and what you know instead of having too many different products. Today the company has 42 employees and the main clients are all kinds of people who need the products, both companies and individuals.

A explains that he has the ambition to create something six times the size of today's business. They have a major expansion project which they are eager to realize. They have already talked to an architect and discussed the expansion.

Definition and level of entrepreneurship in the company

A defines entrepreneurship as a combination of vision, ambition and the ability to make big decisions by combining the factors. An entrepreneur needs to have a drive and the capacity to be a leader. A explains that he has tried to train some of his employees to be leaders but says that it is very hard since it is a personal quality and something that cannot be brought to you. A says that he definitely sees himself and his company as entrepreneurial.

Company A was started three and a half years ago and since then the company has grown rapidly. A explains the success much due to the company's professional side and that they make the customers satisfied because they get the product when they want it.

According to A the biggest difference between company A and their competitors is that they offer a much more professional side than their competitors. Their stock levels are much higher than their competitors because they always have tiles in store which according to A makes customers satisfied since they get the product when they want it.

Management control systems in the company

The employees at company A get commission on sales and A explains that this makes them motivated and has therefore increased the sales. He says that the targets need to be reachable in order to be motivating and there is no punishment if they do not reach the targets although it shows in the pay check. The commissions are on weekly bases and are kept in an individual invoice book. They have had commission on sales for two years and since the introduction the sales have increased dramatically. Their attitudes against the customers have become more polite and they can almost always convince the customer to buy the product.

The employees have clear and specific instructions of how to work and they know the limits of bargaining. If the customer is not satisfied with the offered discount the employees contact and consult with A because he has given them instructions to never lose a deal. The employees know their limits but A has all the numbers in his head and knows exactly how flexible he can be and therefore he claims that nine out of ten times they close the deal. A does not have regular meetings with his employees but if something happens they have

meetings on the floor. A explains that he likes to consult with his employees and get their inputs. He often discusses new ideas with his employees especially when it comes to pricing. When products are not getting sold employees discuss how to discount the products because they are also anxious to see sales go up. A number of his staff only works half time and gets the opportunity to study half time. Some employees take loans from A to pay their fees and two students are being sponsored by A. A underlines the importance of education and therefore supports anyone of his employees that want to study.

Company A does not have a budget professionally because A says that he knows all the information that is needed by heart. He keeps a budget that his conscience can handle and that does not do the company harm.

A has two business partners, one in the UK and one in Ndola. Company A is structured and managed in four levels. These four levels include managers, followed by foremen and senior managers, senior floor personnel and then general floor personnel. The partners are not involved in the day to day decisions and leave those decisions to A. A says that he often consults managers and senior staff before he makes the orders to get input because the employees on the floor often have the knowledge on what the customers want.

Besides the commission on sales the employees get free lunch as a form of reward and sometimes A also helps with school fees as well as medical problems. These rewards are based on the employee's individual performance.

A claims that their company culture is totally different from their competitors because they offer a much more professional side than their competitors. A claims that the culture encourages entrepreneurship and the employees at company A is affected by the entrepreneurial culture because he can see that they are getting educated, skilled, motivated to think and to make decisions on their own. Some staff has even moved on and started something on their own which according to A is a good example of how he and his company encourage entrepreneurship. A sees himself as a good influence and inspiration on entrepreneurial behavior. He says that the employees pick up the entrepreneurial actions on the floor but A adds that he sees a lack of decision-making skills which he claims is the key for entrepreneurial business. When the employees start working at company A they do not think a lot about tomorrow in terms of saving money etcetera. Today however A underlines that many employees at Company A have learned the process of decision-making and the importance of financial security. They have learned to think about tomorrow which shows in that many of them have opened bank accounts which is not common in Zambia.

Future business and entrepreneurial development in the companies and Zambia

A says that it is very hard to be effective as an entrepreneur in Zambia because of the red tape and the many bottle necks. He describes that the government council is a nightmare and causes frustration. The laws of today are not logic and everything takes very long time and it is a major project to get a trading license. However A underlines that there has been a lot of improvement with the new president and that the government does encourage entrepreneurship. However A expresses that it is not a one man job and there is still much more that is needed to be done.

He ends the interview by saying that he definitely thinks that entrepreneurial activity is good for Lusaka and that education is vital in order for Zambia to develop.

Company B, 2008-05-09

Background of the respondent and company information

B is a 49 year old Zambian and he is the owner of company B. He finished High School in 1978 and has previous work experience as a traveler for a clothing company. In 1981 he started his own business in Livingstone which was a convenience store with groceries. 1991 he moved to Lusaka and changed his business into electrical equipment and hardware.

Company B is a business with two stores selling the same type of merchandise in different areas in Lusaka. The company offers a wide range of electrical and hardware products that they sell to governmental institutions, companies, private schools and clinics as well as private persons. Company B has 20 employees in total working in the two stores and in the warehouse.

B claims that he already has achieved his goals and vision of becoming a manager of two electrical and hardware stores that brings financial security for him and his family. B says that there is a market for expansion but he is already satisfied with his two stores. He underlines that location is very important and since all electrical and hardware stores are located in the same area and the customers are used to coming there, B does not want to move to a bigger shop at a different location

Definition and level of entrepreneurship in the company

B sees an entrepreneur as someone who successfully can market his/her product and by doing this attract customers. He sees himself as an entrepreneur and his company as entrepreneurial even though his company according to himself has not come up with any new ideas or innovations within the company during the last twelve months.

B started his first business in 1981, which was a convenience store in Livingstone. Today he owns two electrical and hardware stores and there is still room for expansion and the business is going well. According to B there was a shortage of material for a long time in Zambia, but as the trade developed and many monopolies were privatized in 1991 a lot of markets started growing. As the trade has increased the last decades the competition has grown harder in Lusaka.

Company B differs from their competitors in the way they market their business by using two salesmen in the field which is not very common in Lusaka according to B. This gives B more customers and he underlines the importance of marketing.

Management control systems in the company

The staff at company B all has economic targets and if they achieve the targets they get commission. They have a system that records all the sales and by whom it is sold. If they do not manage to achieve the targets they are not punished, but according to B the staff always achieve their targets because he pushes them to achieve them.

According to B all the employees knows exactly how to work because of clear instructions and they are free to make decisions without consulting B. However when it comes to bigger discounts to customers they usually consult with him. The employees often discuss new ideas with B because there is opportunity and demand for more products and expansion and he says that it is very important to have an open communication with the employees. Company B does not provide their employees with any education or training at the workplace, but B says that they try to sponsor education at the university for some of the employees after opening hours.

Company B does not have a budget and B says that by experience he knows what to have in stock at all times during the year and therefore he claims that there is no need for a budget in the company. He says that it is very hard to have a budget because of the fluctuations in sales during the different seasons.

The company is managed by B and his wife, who manage one store each. In each store they have five salesmen that work at the counter and the rest at the dispatch in the warehouse or out in the field marketing. B makes all the big decisions together with his wife, and the employees are allowed to make decisions on the floor.

B uses a bonus system for his employees when they achieve certain targets. The rewards can either be increased salaries or a bonus in cash form.

B describes company B's culture as friendly and open. When customers arrive at the shop they always get a soft drink which according to B makes the customers remember the store in a positive way and hopefully makes them come back. By doing so he claims that the company's culture has a positive effect on the business because if you look after a customer they often come back. B underlines the importance of treating all customers as potential big customers and therefore the soft drink makes a difference.

Future business and entrepreneurial development in the companies and Zambia

B says that the Zambian government supports him and his company by buying products from him. He also says that the government does not prevent him or his business in any way but before 1991 there were a lot of problems in the governmental system. B means that the government encourages entrepreneurship and that it is not hard to start a new business for an entrepreneur as long as they use the right channels for example the investment center.

B sees a lot of entrepreneurial possibilities in Lusaka especially in the Manda Hill area there have been an increase of entrepreneurship in the last years. He also says that entrepreneurship is very important for Lusaka and Zambia and that it is needed for the development. He states that Zambia is 100 years behind the western civilization with no functioning school system or infrastructure. Therefore he claims that education is the foundation for the development and entrepreneurship in Lusaka.

Company C, 2008-05-12

Background of the respondent and company information

C is a 36 year old Zambian working as the Managing Director at company C in Lusaka and has been within the company for twelve years. He has a degree in engineering from a University in South Africa and has previously worked as a farmer.

Company C's primarily business activity is selling cars, but they also provide the service of maintenance and repairs. The company has 68 employees and the main clients are private companies and individuals.

C explains that company C's goal is to become the market leader in Zambia and to beat the present number one seller.

Definition and level of entrepreneurship in the company

C sees entrepreneurship as seeing an opportunity and then taking it. He sees himself as an entrepreneur by giving examples from previous business activities as he has started a farm as well as a company to train people in IT and web design. C sees his present company C as an entrepreneurial company as it started as a small car selling company twelve years ago and is today the second biggest in Zambia. C says that even though he sees company C as an entrepreneurial company he believes that they do not really provide entrepreneurial possibilities for the employees because all employees must have full commitment to the company. However he underlines that the skills they get from the job gives them a lot of advantages and experience in their personal lives. He says that he is sure that almost all of his mechanics works extra during the weekends to generate more income. C also includes that many of the employees might be able to start a business of their own if they leave the company.

Company C has been in the business for 14 years, beginning with four employees selling six to seven cars per month to a company with 68 employees and selling 207 cars per month. C believes that the reason for the expansion is due to the good products that they sell and that they provide the highest warranty of three years in the market and also because they provide a culture that you can trust. C says that they always have ideas for new products. The last months they have introduced a new station wagon on the market that they are very excited about since it is a new line of product that has not been available to the customers before.

C claims that their service and after market service is better than their competitors which make the customers more satisfied in the long run. He says that they are always available to help and assist their customers at any time after the purchase. C explains that when a customer has a problem he can go straight to the top management and get help. He underlines the importance of always being accessible to the customers and therefore their biggest selling point is service and being helpful. C has great faith in the future for company C and he sees the possibilities for expansion and there is a range of other brands that they have applied for.

Management control systems in the company

The most important target at company C is to sell cars and C explains that making profit is not number one priority. He claims that the more cars they sell the more free marketing and trust they get as their cars are more frequently seen on the roads. Therefore profit is the second most important target after sales.

The workers have guidelines of how to work, but all the employees are expected to help out and fill in where work is needed and C underlines that it is important to work as a team. The employees at company C are not authorized to make decisions and C says that almost 90 percent of the decisions are made by the top Managers and the rest by the Board of Directors.

Company C provides a lot of education and training for the mechanics and the sales staff. The mechanists are regularly trained to keep up with and have skills about the vehicles and C underlines that they cannot sell cars without mechanists with up to date skills.

C give an account for that company C has a broad budget containing advertising, expenditures and sales but he also adds that the budget is more seen as a target than an actual budget. This is because the company has a hard time following a budget because of the fluctuations in exchange rates. The purchase currency is fixed to the South African Rand and the sales are fixed to US dollars. This means that fluctuations in any of the currencies have a great effect on the budget. C underlines that company C always try to follow the budget but they almost always end up exceeding it.

Company C is a company organized in six different levels with the Directors, Board and Chairman at the top, followed by Managers for sales, accounts, workshops and parts and under this come Foremen and Junior Managers followed by three labor levels. C adds that there have been a number of workers that have worked their way up from being a cleaner to higher Management.

C states that company C is a company with big belief in reward systems and offers the employees commission based on sales targets. Every month they also have rewards based on best performance and they also appoint the employee of the month. Every year the company has a Christmas Party where they give an award to someone in the company that has worked or improved the best during the last year. Another type of reward that company C offers is the opportunity of promotion and C gives a number of examples where cleaners and mechanics have been promoted to a higher position within the company. C says that the reward system motivate the employees to take their own initiatives because it leads to increased salary and in some cases promotion.

C says that the culture at company C is based on the feeling of team work and they try to give the customers the best service by working together as a team with focus on the customer. He claims that this is very different from the competitors and that the customers appreciate their culture.

Future business and entrepreneurial development in the companies and Zambia

C thinks that the government does support entrepreneurship and his business but he also mentions that the field he works in is a field where the government set high taxes and that the tax regime is very restrictive to development. Today the taxes on cars are 94 percent which decrease the number of sold cars and C says that less tax would increase the sales for company C. He explains that the government has nothing else to tax and therefore the taxes are increasing every year.

According to C there is a need for more entrepreneurship in Zambia but the red tape is an obstacle that prevents people from starting new businesses. Zambia also offers great entrepreneurial opportunities for international investors but investors are prevented by all the bureaucratic obstacles that exist, for example a working permit takes at minimum a year to get. C says that Zambia has developed during the past decade and that entrepreneurship is very important for the future development and that it can save Zambia. He explains that only five hundred thousand out of twelve million people in Zambia pay taxes. The rest are people acting in the informal sector for example selling vegetables to survive and C claims that these people are very entrepreneurial because they have to be in order to survive. If the people in the informal sector starts paying taxes the government will gain which leads to that the Zambian people will gain as well and C therefore believe that entrepreneurship is a major part of future development in Zambia.

Company D, 2008-05-13

Background of the respondent and company information

D is a 46 year old Zambian and works as the Executive Director at company D. He has a degree in management and physics from a university in UK where he also worked for two years. After that he started working at Company D which is a family business but he adds that there are no actual family members in the company today.

Company D is an IT-based company with 28 employees that provides office solutions in terms of hardware and software as well as other office supplies. They also supply the service of installation and technical support. Company D biggest customer is the government and other customers are financial institutions and the private sector.

D says that he is getting too old to have a goal and vision. He thinks that his company has not reached their peak but the growth potential in Zambia is according to D limited and the most important thing for companies is to survive. However he says that his vision is to continue for ten to fifteen years until retirement.

Definition and level of entrepreneurship in the company

D defines an entrepreneur as a person who is willing to take risks, knows his visions and goals and has the ability to carry it through and sustain it. He claims that his entrepreneurial skills are underutilized in Zambia because business is not done in a conventional way and he explains that there are a lot of things that happens that are not defined as business ethics. D says that if you survive in this environment you are a real business man and therefore he sees himself and his company as entrepreneurial. D claims that his company provides entrepreneurial possibilities in the way that some of his employees has left the company and started their own business. However he explains that this has not been the case during the last ten years since the competition has increased.

Company D was established in 1968 and during approximately 40 years it has been constantly growing and developing and D hopes that the company will keep on growing for at least another 40 years. Company D is acting in a business field that is constantly changing which automatically leads to the constant need for development and introduction of new products and services. D claims that consistency and integrity is what differ Company D from their competitors, and this is what is needed to survive in this market

Management control systems in the company

Company D has three different departments; sales, support and administration but only the sales departments have economic targets. The targets are meant to push the employees but are set to be realistic and D says that overall they do achieve them. The employees' salaries are commission based and come as a monthly check.

The only guideline D gives his employees is that the sales department should not give stories but always tell the truth. D explains that there is a problem in Zambia where salesmen only want to achieve a sale and goes too far to achieve it. When it comes to the employees' decision-making they have got limits and only the managers are authorized to make their own decisions to a certain extent but if it is about big decisions they should consult D. Company D supplies education and training on regular basis and D underlines the importance of keeping up in this business field.

Company D does not follow a specific budget but D explains that they try to follow the result from the previous year and aim to achieve growth every year.

Company D is a small company with a simple structure that is not complex and D underlines the importance of not being rigid as well as to keep it simple. When it comes to decision-making in the company they usually discuss new ideas and decisions in advance but D does make all the big decisions himself because he thinks that it is easier to make decisions on his own.

Company D provides commission on sales for the sales department and also for the technicians based on the work done. All the employees also get a bonus every December which is based on the company's overall result and is proportional to their salaries. The rewards are only about money because D thinks that money is the best motivational factor in a small company like company D where promotional possibilities are limited.

D says that the company has a culture and describes it as a sense of belonging and family feeling where everyone interacts as a family. He claims that there is no rivalry in the company and that everybody has a sense of belonging which he means influences the company in a positive way.

Future business and entrepreneurial development in the companies and Zambia

D says that what prevents his entrepreneurial ability in the company is the fact that the level of acceptance of new technology and particularly within his field is very low and therefore his market is limited and prevents his business from developing. The government supports company D in terms of buying their products and being their number one customer. However D says that he does not get any financial support and that the high taxes are a hampering factor for his business.

D says that entrepreneurship is the most important factor for the Zambian development and that it is really lacking in the economy. He explains that discipline is what is needed in Zambia and gives an example of when giving 30000 dollars to ten people he believes that only 20 percent will do something useful with the money. He claims that there is a culture difference to the western world and that the value of money is not appreciated in Zambia and that many Zambians take life and things for granted. By that being said he explains the reason of the high interest rates since the Zambian people has a tendency of not paying back their loans which make the banking and lending money a risky business in Zambia.

Company E, 2008-05-14

Background of the respondent and company information

E is a 47 year old British citizen who works as the Director at company E. He has a degree in Business Administration, Social Policy and Land Management from the UK. E worked nine years in the UK with real estate before he in 1995 moved to Zambia and started a company with a Zambian which later on became a part of company E.

Company E consists of four different departments; property valuation, property management, state agency and general consultancy. The company has 25 employees their clients are financial institutions, banks, private people, embassies and the nongovernmental organizations.

Company E's goal and vision is to be the number one property consultancy firm in Zambia and also to maintain the quality and service that the company provides.

Definition and level of entrepreneurship in the company

E sees an entrepreneur as someone who starts with a small idea and has the ability of growing in a market place. Company E is a company in an emerging market and E says that all companies with those challenges are entrepreneurial and therefore he also sees himself as an entrepreneur. The property market in Zambia is 20 years behind Europe and this gives them entrepreneurial challenges. During the last twelve months E claims that they have introduced the understanding of property and its long term value in Zambia. He also says that company E has been a part of the development of bringing shopping centers to the Zambian market which he says increases the formal sector and entrepreneurial possibilities in the country.

During the past seven years company E has grown from four to 25 employees and E believes that the company has grown because of the increased demand for properties. For three decades there were no building constructions in Zambia which has resolved in today's increased demand for both new offices and private homes. E's opinion is that the company will continue to grow as the Zambian economy continues to grow and develop.

The main things that differs them from their competitors are the four fields that they are in and also the fact that they are global. Company E is the biggest real estate company in Africa with a lot of experience. The educated employees are also an outstanding factor according to E.

Management control systems in the company

E explains that each department within company E has budget targets which are set by the managers. The employees' contract gives instructions for each worker of what to do and the head of the departments are responsible for overseeing that the targets are fulfilled. The head of the departments are authorized to make their own decisions but other than that decision-making of the employees within company E is limited. They have initial meetings where new ideas are discussed between employees and the management and E thinks that the employees are fairly good at coming up with new ideas

E says that company E has a lot of "on the job training" as they have the biggest number of registered valuers in the country. They provide as much training as they have time for and are able to manage and they also send their employees to other offices in Africa to get training from offices where markets are more developed.

Company E follows a budget but according to E it has to be quite flexible due to the fluctuations in exchange rates. Another obstacle in using a budget is that people in Zambia does not pay their fees in time according to E. This is because it is a limited amount of money

that goes round in the economy and the banks are also very restricted and inefficient which makes it hard for the people to get loans.

Company E is managed by E as the Managing Director together with his companion. At the next level come the managers of the four different business departments and also the managers of the financial and human resources departments. The shareholders make the biggest decisions and other decisions are mostly made by the Managing Directors or the head of departments.

E explains that company E used to have a reward system that was based on individual performance but this system became complicated because it was hard to define who was responsible for the actual sale. Therefore E explains that they at this time are looking for the possibility of having a group reward that will be based on team performance. Other rewards that they are discussing are rewards such as fuel to the car, cell phone time and medical care. At the end of each year company E gives bonus to the employees as a 13th pay check where the amount may vary depending on the overall performance of the employee. According to E reward systems motivates his employees because he believes that everybody is motivated by money.

E claims that company E has a culture that can be described as professional and stands for quality and openness. He explains that all the employees working at the office are seated in open landscapes which enhance communication and better understanding. E believes that the culture definitely influences the company in a positive way because the employees at company E feel that they get good training and a platform for the future. Many people who work at company E moves on into other businesses, for example banking, which according to E is a sign that company E is a company that is producing entrepreneurial possibilities.

Future business and entrepreneurial development in the companies and Zambia

E explains that the government has supported him and other companies in terms of improved trade agreements. However E says that improvements from the government are needed in other areas and he gives an example of applying for a work permit for a Canadian who had the management skills that company E needed and that the application was rejected because the authorities said that a Zambian could do the job instead. E claims that the government does not see the opportunities in bringing in labor from abroad to train and educate the Zambians.

According to E the growth of company E is prevented by the high costs of fuel, oil prices and also the lack of skilled employees. Many skilled and educated people with experience have left Zambia and finding suitable middle managers is therefore very hard which makes expansion problematic. E believes that the most important thing for the development in Zambia is consistency in terms of inflation-, exchange- and interest rates. However E underlines that it has become better during the past couple of years. The inflation rate has gone down from around 25 percent to approximately 10 percent and the interest rate has decreased from 35 to today's 17 percent.

Company F, 2008-05-15

Background of the respondent and company information

F is a 34 year old Egyptian working as the Managing Director at company F. He has a bachelor in Business education from Egypt and he started his company in Zambia 2006. Today he is one of two shareholders; F is the CEO and handles the operations in the company while the second shareholder handles the finances.

F explains that company F is a company in the construction business and they have constructed some of the newest standard buildings in Zambia. They also work with trading to supply the market with the new materials to more reasonable prices than there are today. Company F has 250 employees and the main clients are companies, pension houses and some of the biggest developers in Zambia

F states that the situation for the company is very positive because Africa needs to build and rebuild. Therefore the goal and vision for company F is to expand and obtain a higher market share than now and also to deliver a certain quality to the clients.

Definition and level of entrepreneurship in the company

F describes an entrepreneur as a person with a vision and the will to take risks. It is the person's persistence and perseverance of being successful in whatever line that makes the person entrepreneurial. F claims that everybody can be an entrepreneur and that it is all according to the person because if you have the will to succeed you will succeed, but you must be a fighter to reach your objectives. F definitely sees himself and his company as entrepreneurial and company F always works with new ideas and often introduces new concepts in Zambia.

Since 2006 when F started company F in Zambia, the development has been successful and the first year they ended up exceeding their economic target with 200 percent. Today they have more job offers than they can handle and F believes that the background for company F's success is credibility and quality. Many foreign investors only invest in Zambia for a short time to make fast money and therefore there are few construction companies in Zambia that you can truly trust because they often promise client things that they cannot fulfill. Reputation is therefore golden in this fast moving market and this is according to F what makes company F so successful. F believes that company F's credibility, good reputation and quality differ from their competitors in Zambia. F explains that company F deliver quality that no other company delivers and this is very much because of the talented workmanship from Egypt. F believes that the future for company F is looking very good for the next five years but he explains that no one knows if the political situation will change after the election 2011. F describes Zambia as a stable country where the potential for investors are massive because there are many opportunities and few competitors.

Management control systems in the company

F explains that company F links the employees' salaries with their productions because it is the only cost effective method that works with the employees. F set up targets for the employees and if the employees finish the production on time they get a bonus and if they are late they get a deduction from their salary.

All the employees at company F have very clear instructions of how to work and the project managers access all the instructions. Company F is also introducing a time stamp to make it easier for them to control and follow the employees and their achievements. New ideas are often discussed with the employees, especially with the technicians and F says that employees often come up with ideas and problem solving that save the company money. F underlines

that company F invests in and listens very much to the workers because they are the grassroots that build the company. The management teams are problem solvers and they must be able to make their own decisions and they are according to F encouraged to take their own initiatives while in the lower level there is no room for own initiatives because everything is often already calculated. F explains that the Zambian employees are offered a lot of education in the company while the Egyptian workers are the best skilled in their field and therefore they only get education when there is something new in their field. F believes that there is room for improvement but today's skills are more than enough for Zambia.

F explains that company F does not use a budget because it is very difficult to have a budget in Zambia since there are a lot of issues that you cannot control such as interest rates and fluctuation in currencies. F says that they estimate the costs for every project but for the whole they leave it as it comes.

Company F is managed by F and his partner and under them there are four directors with their own departments which consist of two managers and under them there are four supervisors that supervise the workers. There is also an administrative and a technical part where design and architecture is made. F explains that he and his partner make all decisions regarding the clients but when it comes to technical decisions the engineers and supervisors make the decisions.

F describes that company F has a monetary reward system with commission based on performance and they also offer promotion in the different levels.

F knows the name of every employee working in the company and he explains that there is a family feeling and open communication in the company and that this culture encourage the employees to produce more. F believes that if a person is morally comfortable they produce better and build up loyalty to the company so he definitely thinks that the culture benefits the company in a very good way.

Future business and entrepreneurial development in the companies and Zambia

F says that the government supports company F with moral support such as recommendation, articles in the news papers and also visits. These moral supports are according to F worth more than one million dollars.

The infrastructure in Zambia prevents company F a lot according to F and he claims that a country cannot develop without a functioning infrastructure. He concludes that infrastructure and blue collar training is what Zambia needs for future development. People lack skills in blue collar work as manufacturing, mechanics and construction and these skills are needed to be taught to the people of Zambia who will build and maintain the country in the future. According to F there is a saying in Zambia: "Do not give them the fish but teach them how to fish". With this saying F means that Zambia needs skilled people because everybody who learns a certain skill has the future in front of him/her to build his own company.

Company G, 2008-05-16

Background of the respondent and company information

G is a 45 year old Zambian working as the Managing Director at company G. He took his degree in engineering in Zambia before he started working at company G.

Company G is a manufacturing company working with wood and timber and their main products are kitchen cabinets but they also provide door and window framing, some simple furniture and the service of installation. The company employs approximately 60 people and their main clients are contractors, individuals building houses and companies that provide maintenance.

G says that the goal and vision for company G is basically to survive in a competitive market. G explains that competition has become harder during the last couple of years and today company G is competing with companies even outside Zambia, especially from South Africa.

Definition and level of entrepreneurship in the company

G says that his definition of entrepreneurship is surviving in a difficult and hard environment. He also adds that as long as you run a business no matter the size you are an entrepreneur and therefore he sees himself as an entrepreneur and also claims that his company is entrepreneurial.

Company G was founded in 1985 by G's father and G entered the business in 1990 when the company was employing 25 people. Since then the business has been good and G explains that it is much due to the lack of competitors at the time that has been the reason for the fast growth and success. He says that the competition is hard but that his company provides custom-made products and he designs everything for the customer and this makes him unique and therefore gives him a competitive advantage. G says that there are serious problems in Zambia that prevents company G from future development. He explains that he wants to diversify his business but that there is a shortage of skills and knowledge within the country which makes it hard to develop businesses.

Management control systems in the company

G says that all employees have specific targets and that they do have to achieve a certain amount of work each month. He explains that the work is cut down in components and that all employees work with one specific task and has specific instructions of how to work. He says that if they are producing a door there is one employee in charge of cutting the raw material and then it is sent to the carpenter who puts the components together. Occasionally the employees discuss new ideas with their managers but according to G it is usually the manager that discusses new ideas with the employees. G also says that the employees are free to take their own initiatives at work but that they are supervised by their manager that always overlooks the process.

G explains that company G does not need to use a budget since they constantly check their cash flow and buy things within their cash flow.

G describes the company's organization as a line management organized into five different departments. Each department has a manager that oversees the process and makes sure that everything is done in the right way, and then they report back to G. When it comes to decision-making at company G it is all taken by top management.

G explains that company G has a reward system; the employees get rewarded every month in terms of salary and they also get rewarded every week for not being absent from work. G explains that absence from work is a big problem in Zambia and therefore he gives financial

compensation to his employees for not being absent and this reward includes all the employees including the drivers and helpers.

G says that at company G there is a culture where most of the employees are devoted to their work and G believes that it influences the company in a good way.

Future business and entrepreneurial development in the companies and Zambia

G says that the government prevents skilled labor from coming into Zambia by not allowing work permits. He explains that in order for company G to expand it needs technical know-how which does not exist in the country and is therefore needed from other countries. G says that he had members from the national construction council visiting him about six months ago and during the visit he explained the above mentioned problems to them and today he is still waiting to hear from them. G believes that the department is not functioning and that he probably will not receive any support from them regarding his problems.

An obstacle for company G's expansion is according to G the shortage of supplies and he explains that the suppliers strangle all industries in Zambia which makes it hard for businesses to develop. He explains that company G is very dependent on their suppliers and their raw material which is a disadvantage for both him and his competitors. Another obstacle that G describes is that he cannot lend money from the bank because of the high interest rates. In the future G would like to expand his company but to do so he has to use his own finances in order to accomplish it.

In order for Zambia to develop G claims that all sorts of taxes must be reduced, especially import taxes. G explains that Zambia do not manufacture much besides copper, which make Zambia dependent of imports of raw material and products and therefore too much money is tied up in raw materials. According to G Zambia should also have a free labor market because today it is too expensive and hard for him to get rid of non productive employees. G concludes that the most important thing for Zambia's future development is the freedom of finance.

Company H, 2008-05-19

Background of the respondent and company information

H is a 26 year old Zambian working as the Managing Director at company H. He has an education in information technology from the University of Zambia. He worked for a local drilling company before he started company H together with his brother in 2006.

H explains that company H is a company that provide the products, service and maintenance for domestic drilling in Zambia. The company has 18 employees and the main clients are companies as well as individuals. H says that everyone in Zambia has demand for drilling at the time and they are also starting to work in the mining industry.

H explains that his goal and vision for company H is to become the biggest drilling company in Zambia.

Definition and level of entrepreneurship in the company:

H defines entrepreneurship with two words: “hard work”. He definitely sees himself as an entrepreneur and explains that his company is entrepreneurial in the way that they constantly have new ideas and have developed at all times during the two past years. In the start they only provided the drilling service, but as the time has gone by they also provide the products and the maintenance and this makes the company very busy.

When H and his brother started the business two years ago they had three employees and since then they have grown constantly up to today’s 18 employees. H explains that the reason for the company’s development is that they have increased the range of products and services and that they also know how to interact and mingle with the Zambians to get more customers.

Company H is according to H the only drilling company in Zambia that provides products, service and maintenance and he explains that this makes many clients choose them instead of their competitors. Marketing and public relations is another thing that H says differ company H from their competitors in the way that it gives them a competitive advantage in terms of knowledge of their existence and good quality in products on the market.

Management control systems in the company

H describes that they set targets and give their employees specific instructions of how to work at company H and that they always are working towards greater heights. All the decisions are taken by H and his brother but they often discuss new ideas with their employees. H says that company H frequently provides training for their employees so that they constantly perform well.

H explains that company H does not use a budget because it does not make any difference because it is hard to adjust the budget to the fluctuations in fuel and steel prices.

Company H is managed by H and his brother who make all the decisions that the employees follow.

Company H has a reward system based on targets. For 20 drilled holes the employees get a financial bonus and since they introduced this reward system the employees have according to H performed better and become more motivated.

H describes the culture at company H as a family feeling. The company started two years ago and has since then according to H constantly grown and he explains that much of the success is because of the culture. The family feeling and the fact that he can mingle with Zambians makes the clients feel good and come back to company H.

Future business and entrepreneurial development in the companies and Zambia

In the future H wants company H to expand even more into the mining industry and H says that he gets a lot of help from the banks in terms of loans which makes the expansion possible. H explains that the only thing that probably will prevent the company's future expansion is the limited market. In the next three to four years H says that there probably will be a shortage of clients because the time for drilling in Zambia is now and he thinks that in three to four years everybody will have their own drill.

H concludes that the key for development in Zambia is hard work and trust and he underlines that the trust must be mutual from the clients and the company.

Company J, 2008-05-20

Background of the respondent and company information

J is a 41 year old British citizen working as the Managing director at company J. He has gone up to High School in London and has previous work experience from the military and the airline industry. J has been running the company together with his partner in Zambia since 2004.

Company J provides four wheel drive Land Rovers and the equipments required when using them. The equipment consists of all the basic things needed for the car as well as sleeping bags, tents etcetera. The company has ten employees including J and his partner and their main clients are tourists, mostly Europeans but also some Americans.

J explains that the goal and vision at company J is mainly to survive and to continue improving the products and also the availability of their products. Another goal is to achieve balance in the company and have a good reputation that brings more customers.

Definition and level of entrepreneurship in the company

J defines entrepreneurship as the ability to recognize an opportunity and seizing it. He sees himself as an entrepreneur but only recently since he started his own business and says that he was not an entrepreneur before he moved to Zambia. He believes that his previous work experience from the airline industry has given him a lot of experience in service and being service minded and therefore he explains that he now has the ability to be an entrepreneur and run an entrepreneurial company. J explains that company J has changed their products during the last year and that they now operate one standard type of vehicles which makes it easier for maintenance as well as switching spare parts. According to J this way of standardization can save money for the company in the long run as well as making it easier for maintenance and repairs.

J explains that company J has contracted in size since the start and that they now focus on fewer vehicles but with more quality and with better equipment. The company has five vehicles at the moment and J believes that the company has a bright future and that it will develop even though he wants to keep it pretty small since he wants the personal feeling and the passion to remain in the company.

J says that company J has both local and regional competitors and that the competition from South Africa is the largest. He says that the local Zambian competitors do not offer the same quality in their products as company J do when it comes to vehicles and equipment. J also believes that company J is a company with passion and that it affects the company and also gives them an advantage compared to their competitors since they are more dedicated to their work and products.

Management control systems in the company

J explains that there is a big difference between Europe and Africa when it comes to setting targets for the employees. He says that the employees need supervision in order to perform well and J or his partner guide them at all time. J also says that none of the employees are authorized to make their own decisions and they are all taken by him or his partner. J explains that it is very hard to find skilled labor in Zambia because of the low level of education and therefore he explains that company J tries to provide training for the employees especially for the mechanics.

Company J does not follow a budget because J claims that it is almost impossible to forecast revenue in his business. He explains that the market is constantly changing and since tourism

is a service it is exposed to much fluctuation. The constant change in exchange rates also makes it hard to use a budget and J underlines that the Kwacha is not a stable currency and that it is useless outside Zambia.

J explains that the organizational structure at company J is very basic with two levels. J and his partner are the managers and take all the decisions and supervise the employees who work below them.

According to J the company has a reward system in the way that they provide meals as a form of benefit for the employees and J believes that it motivates them as well as it gives them energy so that they can perform better. He also says that they work as a family and therefore they try to help their employees in many ways if it is needed.

J explains that there is a family feeling within the company that can be seen as a culture and he underlines the importance of mutual trust and that this feeling can be accomplished by treating the employees in a good and respectful way.

Future business and entrepreneurial development in the companies and Zambia

In order for company J to develop J explains that he will need more skilled labor and technical know-how and he says that the government does not understand the importance of mechanical and technical skills and the lack of these skills in Zambia prevents company J from developing.

J says that in order for Zambia to develop more education is needed since there is a great shortage of skills in all levels in the country. He also says that the lack of nutrition in the food prevents children from developing properly and that the Zambians would perform better in school and at work if they had the access to healthy food with much nutrition. J concludes that the government needs to improve the educational system and increase the knowledge about the importance of healthy diets.

Company K, 2008-05-20

Background of the respondent and company information

K is a 60 year old Swedish citizen working as the Managing Director for company K. He has a degree in biology and pharmacy and before he started company K he worked as a consultant for a Swedish development agency in Zambia and Angola. In 2000 he decided to start his own business in Lusaka together with a Zambian companion.

Company K provides all kinds of medicine and medical equipment that they buy from three distributors, for example antiretroviral drugs, insulin, sutures, orthopedic instruments, band-aids and other consumer goods and also antiseptic cures. The company also provides storing room and distribution services for companies and nongovernmental organizations. Company K has 20 employees and their main clients are the government, medicine companies, health institutions and drug stores with correct license.

K says that the goal and vision for company K is to be a company that provides a major part of the medical supplies that is needed in Zambia and another goal is to always provide quality products.

Definition and level of entrepreneurship in the company

An entrepreneur is according to K a person who is willing to take risks and has a vision that he/she can make a living of and at the same time do something that he/she is passionate about. Being able to employ is also a sign of entrepreneurship according to K. K and his Zambian partner decided to start company K when they got an offer from the government to help them store and provide Zambia with a certain medicine. K explains that his partner is skilled in buying and selling while K is skilled in more technical parts and this makes them exceptional entrepreneurial partners and their company is definitely entrepreneurial according to K. The company has constantly grown and they are always looking for new ideas and good agencies. From the start in 2000 company K has grown and today they are established and have reliable clients because the government has more money and more private hospitals are being built in Zambia.

K explains that company K's main competitors are the Indian businessmen in the medicine business because they have more money and financial possibilities. K says that what differ company K from their competitors is their quality and good reputation because they always fulfill what they promise, in contrast to many of their competitors.

Management control systems in the company

K explains that the employees in company K do not have specific economic targets however they have clear instructions of how to work partly by standard operations procedures and given instructions from an operation manager. The operation manager and the accounts department manager are allowed to make their own decisions but K and his partner always have to sign every payment and therefore they have a say in almost every decision. K says that the company stimulates and motivates their employees to study and take courses in the evening that company K pays for.

K says that they use a budget that is not strict but shows them where they are heading and he explains that it is very unpredictable to have a business in Zambia and therefore budgets almost always become mostly theoretical. The company budget is unpredictable because of the fluctuations in the client's orders and lack of payments.

K describes company K as managed by K and his partner and under them the operation manager supervises the employees. K believes that company K is a flat organization even

though his Zambian partner is more authoritarian than him, which is a part of the Zambian culture according to K.

The employees that work with sales get economic rewards in form of commission based on their sales and K explains that this reward is not too high but it gives motivation to the employees. Occasionally during times of good business K and his partner give the employees a monetary bonus that is not based on performance but in proportion to the employees' salaries.

K describes the company culture by saying that they have a flat organization where communication is easy because the employees on the floor have no problem talking to K and his partner about new ideas and the work situation.

Future business and entrepreneurial development in the companies and Zambia

Today K does not feel any support from the government and he believes that the best things the government can do right now is to support Zambian people and companies with financial support and education. K explains that there are many existing business opportunities in Zambia, but that the government does not do enough to realize them.

K explains that what prevents the development of his business is the lack of finances because it is extremely hard and ineffective to get a loan in Zambia. The paper work that has to be filled in before taking a loan is huge and it takes approximately three weeks for the banks to make the decision of giving a loan or not. The interest rates on loans are about 25 percent but K and his partner were privileged because they were given credit from one of their distributors and K explains that this is the reason why they could start their business in the first place. Another obstacle in Zambia is the check paying system because a lot of the checks bounce back which cost a lot of money. The payment moral in Zambia is very low and company K has an employee that is assigned just to collect the payments. Sometimes it takes about one and a half year to get the payments, but K explains that the distributors have been very understanding and therefore company K has managed. K concludes that it has become better over time and most of their clients now pay within 60 days and their checks almost never bounce back.

K believes that what Zambia needs for future development is availability of finances and that the population needs education because the lack of knowledge causes low productivity. K also says that ethics, moral and less corruption is needed for the future development of Zambia.

Company L, 2008-05-22

Background of the respondent and company information

L is a 61 year old Swedish citizen working as the Managing Director at company L. He has a high school degree from Sweden and working experience as a craftsman and has also worked as a consultant for a Swedish development agency regarding electricity, radiators and construction maintenance. L started the company together with a partner in 2000.

Company L is a company within the field of construction and maintenance. The company has 26 employees and their main clients are the European embassies in Lusaka, big farms and some private people.

L explains that in the beginning the goal and vision for company L was to try the ability to manage and run a company in Lusaka. Today L says that the goal for company L is to work with import and sales and they are constantly cutting down on their current work because the social part of having employees is too big and costs a lot of money, time and energy.

Definition and level of entrepreneurship in the company

L defines entrepreneurship as being able to make ideas possible. When you have a company in Zambia L explains that you have to be a problem solver and always innovate in the solving which is entrepreneurial and this is according to L what makes company L and himself entrepreneurial. In company L there has always been a lot of innovations according to L and one innovation that is quite new is the production of trailers and they have also done electric fittings that are not available anywhere else on the market.

After the company's first job in Lusaka the reputation about the good quality and work that company L can do spread in Lusaka and led to a successive expansion. At most they had 40 employees and L explains that the company's success depends on the fact that they can provide good quality in a western way. A couple of years ago L started to cut down his business and say no to orders because he realized that the social part of having employees is too big and costs a lot of money, time and energy. In the future L wants to cut down his business even more even though the demand is growing. L believes that what he gets back in return for the job done is not worth the effort.

L explains that quality is the difference between company L and their competitors and L believes that this is the reason why the customers choose company L. Company L has never been competing with prices because L sees more value in providing quality products and services than being cheap.

Management control systems in the company

At company L the employees know exactly what they are supposed to do and they must always be supervised so that construction and maintenance mistakes are not made. L says that if the employees achieve their work in time they get a monetary bonus and if they frequently do not achieve their work they get warnings. The employees are allowed to make minor decisions and take initiatives in their work and this is something that L encourages them to do. L says that many of the employees come with new ideas and they also get education when there is something new happening in the business.

L says that company L use a budget to get oversight of the business activities, though it has to be very flexible due to the fluctuations in exchange rates.

L explains that most companies in Zambia are managed like a pyramid but L has tried to make his company more flat and less hierarchical but that has according to L not worked out

well. The employees at company L are only allowed to make minor decisions while L makes all the big decisions.

L gives his employees monetary bonus if they manage to finish their work in time and L believes that without this bonus the work would never be done in time.

L explains that Company L definitely has a culture of being western and he believes that a lot of western people choose company L because they know that company L understands what they want to be done.

Future business and entrepreneurial development in the companies and Zambia

L explains that in order to be a business man in Zambia you have to learn to live with the obstacles that exist. A common problem with the employees in Zambia is that they do not think about tomorrow and do not understand the consequences that their actions will lead to according to L. His employees do not understand that having rights also means that they have responsibilities. Another obstacle that L sees in the company is that employees do not share their skills and knowledge with any other employee. He explains that the Zambians want to keep their skills and knowledge to themselves so that no one can get their job instead and this means that L has to teach and train all his employees by himself. Inefficiency is another problem among the employees and L explains that all work takes about four times longer than it should take. Sometimes his bonus system works but the employees do not always understand why the work has to be done so fast because if they do it more slowly they have work for more days.

L says that the only business people in Zambia that make money are the people that import and sell products because when it comes to companies in the production business products are almost never produced on time and therefore there are few functioning production companies in Zambia at the time. L describes the business climate in Zambia as very bureaucratic and there is a lot of corruption and Zambian people cannot stick to the truth and this is something that is a part of their culture according to L.

L does not agree with the people that say that Zambia is a poor country because he believes that Zambia is a rich country with many resources but because of the non-productive people there is slow development. L says that the aid organizations have done a big mistake in giving the Zambian people money and that instead of giving them money they should teach the people to work and produce things. L believes that the aid organizations have strong demands on the Zambian people because they demand that they should have the ability to go from Stone Age to computer age in one step which L sees as impossible. L concludes that changes have to come from the top and the best thing that the government can do for the country is to invest in the young generations' education.

6 ANALYSIS

This chapter presents an analysis of the empirical findings received in this research. A comparison will be made between the empirical findings and the theoretical framework.

6.1 Definition of Entrepreneurship

The empirical findings show that Zambian managers have many definitions of entrepreneurship and what characterizes an entrepreneur. However some common characteristics are distinguished when defining entrepreneurship such as seeing an opportunity, having a vision, the willingness of taking risks and the ability to sustain the business. The empirical findings further show that the entrepreneur is seen as a person with different traits such as the ability of being a leader, making decisions and being persistent. The common characteristics of entrepreneurship that was described by the Zambian managers are similar to the definition of entrepreneurship presented in the theory by Landström (2000). According to Landström (2000) entrepreneurship can be seen as discovering new opportunities, organizing necessary resources and exploiting business possibilities on the market. The entrepreneur can be described as an innovator that has a superior ability to judge that makes it possible to identify new possibilities and coordinate resources in a more effective way (Landström, 2000). Stevenson (1983) describes that the entrepreneur is not characterized as one kind of individual nor has one behavioral pattern and the authors empirical findings show that there are many different traits that defines the entrepreneur in Zambia. According to Landström the definition of entrepreneurship and the entrepreneur differ in different contexts and cultures which makes the definitions unclear (Landström, 2000). Two of the respondents claim that just the ability to survive in the Zambian business environment automatically makes a company entrepreneurial and the managers entrepreneurs. The difficult and hard business environment in Zambia probably makes these two respondents define entrepreneurship and the entrepreneur somewhat different from the theory. According to the respondents, being able to establish a company in Zambia requires hard work and the ability of being a problem solver.

6.2 Management Control Systems and Entrepreneurial Management in the companies

The empirical findings show that all the respondents explain that it is unpredictable to have a business in Zambia because there are many issues that cannot be controlled. Seven out of the eleven companies do not use a budget (Appendix 3) and five of these seven companies explain that the main reason for not using a budget is the fluctuations in exchange rates. Other mentioned reasons for not using a budget are the fluctuations in raw material prices as well as lack of payments from customers. Merchant & Van der Stede (2007) describes that one disadvantage with budgeting can be that it does not create a flexible environment and limit possibilities for employees to take their own initiatives. The non-existence of budgets in seven of the eleven companies can therefore be seen as a possibility for creating a flexible environment where the employees have possibilities to take their own initiatives. Merchant & Van der Stede (2007) also describe that budgets can encourage long-term thinking, achieve coordination and create challenging but realistic goals. The four companies that use a budget explain that their budgets have to be flexible and one of the managers mentions that their budget is mostly theoretical. The empirical findings show that long-term thinking is hard in

Zambia due to the unpredictable business environment as well as the existence of issues that cannot be controlled. Therefore according to the authors the companies do not have the ability to plan in long-terms and consequently budgeting in the companies does not seem to encourage long-term thinking. The companies that use budgets do not discuss the budget with their employees and therefore the authors believe that the positive coordination that can be encouraged when using a budget probably does not exist in the companies. The respondents explain that the budgets have to be flexible and therefore creating challenging but realistic goals is hard according to the authors.

Miles & Snow (1978/2003) claim that budgets in entrepreneurial companies are wide and not tied up before action is taken while Simons (1987) claim that entrepreneurial companies place great importance to control systems such as tight budget controls. Löfstål (2001) agrees with Simons (1987) when she states that an entrepreneurial company appreciates the budgeting system. These contradictory theories make it hard for the authors to decide whether using a budget is entrepreneurial or not. One disadvantage with budgeting can be that it does not create a flexible environment and limit possibilities for employees to take their own initiatives (Merchant & Van der Stede, 2007). In other words the theory suggests that the seven companies that do not have a budget would have the possibility to create a flexible environment where the employees have possibilities to take their own initiatives. However the authors believe that this is not the case in the companies because the employees have clear and specific guidelines of how to work. The authors believe that the companies in Zambia do not have the prerequisites to use a budget because of the unpredictable business environment and therefore it is difficult to determine if their use of budget or not makes the management more or less entrepreneurial.

According to the empirical findings nine out of eleven companies can be described as vertical (Appendix 3) because the companies have a hierarchical management with superior and subordinate units in different levels and these superior levels control the subordinate. The superior in these nine companies do not give the employees much responsibility, although three of them encourage decision-making on the floor. The two remaining companies describe their organizational structure as horizontal and flat with no more than one level below the manager. However these two managers do not authorize the employees to make their own decisions and all the decisions are made by the managers. This means that the superior and subordinate dimensions do not lose their importance because the superior makes the decisions that the subordinate has to follow. One of the respondents explains that he has tried to make his company more flat and less hierarchical but this did not work out well because his employees did not think about tomorrow and did not understand the consequences that their actions led to. Therefore his company is hierarchical today and the employees are only authorized to take minor decisions. The empirical findings show that managers in nine out of eleven companies consult and discuss new ideas with the employees (Appendix 3). Two of these nine managers state that input from the employees is encouraged and that creativity shall be promoted and developed. Three of these nine managers also underlined the importance of open communication in the company. These qualities are similar to Simons (1991) classification of interactive use of control systems where face to face dialogues and information bridges among hierarchical levels are built.

When comparing the empirical findings with Cornwall & Perlman's (1990) contrasting management modes the companies' organizational structure and communication is more similar to the traditional organizations than the entrepreneurial. The theory is similar and describes an entrepreneurial organizational structure as flat with horizontal communication and a more traditional organization structure more formalized and hierarchical with vertical

communication (Stevenson, 1983, Cornwall & Perlman, 1990, Miles & Snow, 1978/2003). According to the empirical findings nine out of eleven companies can be described as vertical with superior and subordinate units in different levels and these superior levels control the subordinate. These empirical findings show that a majority of the companies have an organizational structure that is similar to the one that the theory describes as a more traditional organization. Although a majority of the companies have a vertical organization structure the empirical findings show that the managers in nine out of eleven companies consult and discuss new ideas with the employees. These qualities are similar to Simons (1991) classification of interactive use of control systems where face to face dialogues and information bridges among hierarchical levels are built. When sensing when conditions are right for seizing new opportunities and shifting direction Simons (1991) explains that it is optimal to use selective control systems interactively. Using selective control systems interactively is a powerful tool in guiding and stimulating the competitive development of the company (Simons, 1991). Shane (2003) describes seizing new opportunities as a stage in the entrepreneurship process and therefore the interactive communication in nine of the eleven companies can be seen as entrepreneurial. However, according to the authors, the empirical findings show that nine out of the eleven companies are managed in a more traditional than entrepreneurial way because of their vertical organizational structure.

The empirical findings show that all the companies use reward systems (Appendix 3) which is a form of results control. The managers in the companies believe that reward systems motivate their employees and that it influences the company in a positive way. The company managers have big belief in reward systems and the empirical findings indicates that reward systems are needed in order for work to be done as well as to motivate the employees to work towards the company's objectives. The empirical findings are in line with Merchant & Van der Stede's (2007) description of reward systems that describe that the combinations of rewards linked to results inform and remind the employees of the company's objectives and thereby influence the employees to be concerned about the consequences that their actions have. The results of the employees' performances can either be rewarded or punished, both in financial and non-financial terms (Merchant & Van der Stede., 2007). According to the empirical findings ten out of eleven companies have monetary rewards based on performance. Other forms of rewards found in the companies are bonuses, education, promotions and meals at work, however the majority of the managers believe that money is the best motivational factor for the employees. One of the company managers claims that without a monetary reward system the employees would not complete their work tasks in time. The company without a monetary reward for the employees provides meals as a form of reward and claims that it provides both motivation as well as energy that make the employees perform better. Different reward systems are preferred in different countries depending on factors such as culture, socioeconomic status and local tax rates (Merchant & Van der Stede., 2007). According to the authors the empirical findings imply that monetary rewards are the most suitable form of reward in the companies and one of the company managers believes that all Zambians are motivated by money which can be seen as a characteristic of the Zambian culture.

Lövstål (2008) describes that reward systems have been blamed for causing negative effects on entrepreneurship because it can hold back interaction and teamwork in the organization which often is seen as a condition for successful innovation. Lövstål (2001) says that there is no existing formal reward system in the entrepreneurial organization because everyone in the organization share the same goals and take responsibility for reaching them and it can be described as shared management. The empirical findings does not indicate that the companies

use shared management or teamwork and one of the respondents explains that the employees in his company do not share their skills and knowledge with any other employee and that this is a part of the Zambian culture. This can be a reason that explains why all the reward systems in the companies are based on individual performance which Stevenson (1983) describes as common in more administratively managed organizations. According to the authors these findings indicate that the companies are managed in a more traditional than entrepreneurial way and an entrepreneurial organization would according to Löfstål (2001) not have the need for a reward system as an incentive for following the company's objectives.

Action control was found in all of the eleven companies (Appendix 3) in terms of having specific and clear instructions of how to work and this is according to Merchant & Van der Stede (2007) action control because it ensures the proper behaviors by focusing directly on the employees actions. Four of the respondents also underlined the importance of supervising the employees, which also can be interpreted as a form of action control.

According to Löfstål (2001) an entrepreneurial organization with strong premise controls do not have as much need for output control and action control. However according to Löfstål's (2001) findings action control exist in the entrepreneurial organization but the observation controls is performed by other members in the organization rather than supervisors and through a process of communication and negotiation. Therefore the findings shows that the entrepreneurial organization perform more of a "shared output control" where all employees are expected to take responsibility in setting targets and evaluating their own work as well as others performance (Löfstål, 2001). The empirical findings show that all the companies use action control which in nine of the eleven companies are performed vertically and this indicates that the companies are managed in a more traditional way than entrepreneurial and action control is according to Merchant & Van der Stede (2007) best suitable in standardized environments and may diminish innovation, creativity and adaptability in a company.

The empirical findings show that all of the eleven companies provide some kind of education or training for their employees (Appendix 3) which according to Merchant & Van der Stede (2007) is a form of personnel and cultural control. This is a way of ensuring that the employees do a good job and provide information of what actions and results that are expected and how assigned tasks best can be performed. Merchant & Van der Stede (2007) also underlines the importance of finding the right people for the particular job. According to the empirical findings four respondents underline the serious problem of finding skilled labor in Zambia and they explain that there is a great need for mechanical and technical skills. This lack of skills could be the explanation of why all of the companies put time and effort in providing training and education for their employees.

The frequently provided education or training indicates that the employees in the companies are seen as a resource that shall be protected which according to Cornwall & Perlman (1990) is a characteristic of a more entrepreneurial organization. However the lack of skilled employees may not give the companies any alternatives but to provide the employees with education or training. Therefore the companies do not necessarily have to be more entrepreneurial in the way that they see the employees as a key resource to be protected. In more traditional organizations the employees are often seen as easily replaced, but in Zambia there is a lack of skilled labor and therefore education and training is necessary which makes the companies' management more entrepreneurial than traditional in this sense.

The empirical findings describes that all the eleven companies have a culture (Appendix 3) and the managers express it in different ways. The majority of the managers describe their

company culture as open and friendly where you often can sense a family feeling. The majority of the managers also claim that their culture influences the company in a positive way because it enhances better communication and motivation. Olsson & Skärvad (1995) describes that a strong culture influences the communication and motivation in companies which is in line with the empirical findings. However Olsson and Skärvad (1995) also describe that a strong culture influences the employees' decision-making which is not the case in eight out of eleven companies. Ax et al (2002) describes that when having a strong culture there is less need for supervision and control and at the same time there are more possibilities to give the employees on lower levels decision-making possibilities and power. The empirical findings show that all the companies use action control and four of the respondents also underlined the importance of supervising the employees. The empirical findings further show that eight out of eleven companies do not encourage the employees to make their own decisions. These findings imply that the culture in the majority of the companies do not encourage decision-making and that control and sometimes supervision is necessary, and these characteristics indicate that the culture in these companies might not be strong. The lack of decision-making possibilities in the companies is according to Cornwall & Perlman (1990) a characteristic of a more traditional organization and action control is according to Merchant & Van der Stede (2007) best suitable in standardized environments and may diminish innovation, creativity and adaptability in the company. Communication and motivation can according to the authors be seen as entrepreneurial traits, but the lack of decision-making possibilities and the need for action control and in some cases supervision makes the authors question whether the culture in the Zambian companies are entrepreneurial or not.

6.3 Future Business and Entrepreneurial development in the companies and Zambia

All the company managers identify a range of different obstacles that according to them prevents both their businesses as well as Zambia from development. Henrekson & Roine (2005) describes Zambia as a developing country where measures need to be taken at all levels and fields of the society to reduce the poverty and to increase the economic growth, innovation and job creation. The empirical findings show that six of the eleven companies clarify that the red tape is an obstacle that prevents the companies' ability to grow and develop. Other stated obstacles are lack of education and skilled labor, high interest rates and taxes. The Zambian government has formed a strategy to reduce poverty and the report describes how the supply of capital and financial services are limited, especially for smaller entrepreneurs which is similar to the authors' empirical findings in the Zambian companies. Also the Swedish government states that macroeconomic instability and insufficient asset to capital still is a big obstacle for the growth and development of the private sector in Zambia (www.regeringen.se). Three out of eleven company managers say that the Zambian culture prevents companies and Zambia from development. One of these three respondents explain that there is a lack of discipline and payment moral which makes the banking and lending industry a risky business that consequently could explain the high interest rates. When analyzing the companies' ability to complete the entrepreneurship process that Shane (2003) describes, the empirical findings show that the companies have good prerequisites to complete the first three stages; existence of opportunity, discovery of opportunity and decision to exploit opportunity. Several of the respondents underlines that there are many existing business opportunities in Zambia and one of them also mentions that there are few competitors on the Zambian market. The empirical findings show that ten out of eleven

companies have introduced a new product/service, product process or discovered a new market in the last twelve months. One of the respondents states that Zambia is 100 years behind the western civilization which according to the authors may create many entrepreneurial opportunities in Zambia. The fourth stage in the entrepreneurial process involves acquisition of resources such as lending money in order to be able to proceed with the process (Shane, 2003). Two of the respondents conclude that the most important thing for Zambia's future development is availability of finance and a majority of the companies mentions the high interest rates as an obstacle for the entrepreneurial development. The fourth stage in Shane's (2003) entrepreneurial process is difficult to accomplish in Zambia because of the high interest rates and because of this the entrepreneurial process in Zambia often ends in the fourth stage. If an entrepreneur manage to pass the fourth stage and also manages to formulate a strategy in the fifth stage that overcomes uncertainties such as unpredictable inflation and exchange rates the entrepreneur is close to fulfilling the entrepreneurial process. The sixth stage is according to Shane (2003) the organizing process which includes organizing the design of the entrepreneurial process within the company, before the final stage which is performance and realization of the entrepreneurial activity. All the interviewed companies see themselves as entrepreneurial and therefore they indirectly experience that they have passed the sixth and seventh stage. In spite of this the respondents explain the problems that exist in the fourth and fifth stage of the entrepreneurial process. According to the empirical findings education and skilled labor, less bureaucracy, consistency in inflation-, exchange- and interest rates as well as the ability to lend money to a reasonable interest rate is what is needed for future business and entrepreneurial development in Zambia.

7 CONCLUSION

This chapter aims to present the results and conclusions that the authors have found when analyzing in chapter six. After that the authors will present proposals for further research.

7.1 Summary and concluding remarks

The main purpose with this minor field study has been to investigate how companies in Zambia are managed and if the companies are managed in an entrepreneurial way. The authors have found that a typical small and middle-sized company in the formal sector in Zambia has no budget and has a vertical organizational structure. The typical company puts great importance in reward systems, especially monetary rewards although action control is the dominant type of control in the company and employees in lower levels have limited influence on the business activities. Finally the typical company has personnel and cultural controls in form of providing education and training and a culture that is open and friendly. Obviously the eleven interviewed companies are not identical but these characteristics above were frequently described during the interviews.

To distinguish if a company is managed in an entrepreneurial way is difficult because there are many different management control systems in an organization and the companies can be more entrepreneurial in some controls and more traditional in some controls. Another obstacle is that theory of entrepreneurial management sometimes are contradictory and one theory can describe one type of control as more entrepreneurial while another theory describes the same control as more traditional. The authors aim was not to decide whether each company individually was managed in an entrepreneurial way, but to get an overview if companies in Zambia are managed in a more entrepreneurial or more traditional way.

The unpredictable environment makes it hard for companies to follow a budget in Zambia and therefore a majority of the companies do not use budgets. Whether the lack of budget in the companies makes the management more or less entrepreneurial is problematic to determine because the authors believe that the companies do not see any benefit of using a budget in the unpredictable business environment. Also the fact that existing theory regarding if budgeting is more entrepreneurial or more traditional is very contradictory makes it even harder for the authors to determine whether the lack of budget is more entrepreneurial or more traditional.

A majority of the companies have a vertical organizational structure and the authors believe that the organizational structure makes the mode of management in the companies more traditional than entrepreneurial in this sense. The majority of the managers do not encourage employees own decision-making and the authors believe that the lack of education and the shortage of skills in Zambia increase the need for a vertical structure which consequently diminishes the ability to have an organizational structure that is more entrepreneurial.

Reward systems are used in all the companies and the fact that the rewards are based on individual performance and that theory suggest that a more entrepreneurial company would not have the need for a reward system as an incentive for following the company's objectives makes the authors believe that the reward systems in the companies make the management more traditional than entrepreneurial. The authors also strongly believe that a monetary reward system is the best way for Zambian companies to ensure proper actions from the employees. The reason for this is that the authors believe that the employees need the extra

motivation that the monetary rewards create in order for the employees to put in the extra effort needed to achieve the company objectives.

Action control seem to be necessary in the *Zambian* companies because the empirical findings show that all the companies use action control which in a majority of the companies is performed vertically and this according to the authors indicates that the companies are managed in a more traditional way. The authors once again see the lack of education and skills as one of the reasons for the need of action control and sometimes even supervision. This is an obstacle for a more entrepreneurial management since the action control may diminish innovation and creativity in the company.

Providing education and training is an essential part of personnel and cultural control in the *Zambian* companies. This suggests that the companies are more entrepreneurial than traditional since this implies that they see their employees as a key resource. However the authors believe that providing education and training is as much necessary as entrepreneurial since the lack of education and skilled labor in *Zambia* forces the companies to be entrepreneurial in this sense.

Culture as an entrepreneurial phenomenon is difficult to study because culture consists of many different factors. Communication and motivation that was stressed by the respondents as results of the culture can be seen as positive and entrepreneurial traits. However the lack of decision-making and need for action control in the companies could be seen as characteristics of a company culture which is more traditional than entrepreneurial. The authors believe that the *Zambian* culture has developed a business environment where action control is performed by the managers and the employees are motivated by monetary reward systems. The authors further believe that money is the best motivational factor because of the constant need for money and the lack of fundamental needs for the people in *Zambia*. The constant need for action control and the need to reward the employees for their work imply that the culture is more traditional than entrepreneurial.

The authors also aimed to investigate how managers in *Zambian* companies define entrepreneurship and what they believe is needed for future business and entrepreneurial development in the companies and in *Zambia*. The authors found that all of the *Zambian* managers claimed that they are entrepreneurs and that their companies are entrepreneurial. The managers definitions of entrepreneurship show similarities to the presented theory, however some definitions somewhat differ because some respondents describe the ability to survive in the *Zambian* business environment as the key quality for being entrepreneurial as well as an entrepreneur. The conclusion shows that the companies are managed in a more traditional way than entrepreneurial, but the authors believe that the respondents sincerely believe that their companies are entrepreneurial. The authors believe that the managers are entrepreneurial in the three first stages in the entrepreneurial process; existence of opportunity, discovery of opportunity and decision to exploit opportunity. This is shown in the empirical findings where ten out of eleven companies had introduced a new product/service, product process or discovered a new market in the last twelve months. However the fourth to the seventh stage in the entrepreneurial process are difficult to accomplish in the *Zambian* business environment. The fourth stage; resource acquisition is difficult to accomplish because of the high interest rates. The authors believe that the entrepreneurial process in *Zambia* often ends in the fourth stage and that this is a serious obstacle for the entrepreneurial development. The conclusion shows that the three final stages in the entrepreneurial process; entrepreneurial strategy, organizing process and performance are difficult to fulfill because of the *Zambian* context. The lack of education and skills in *Zambia* force the *Zambian* company managers to use a more traditional management control

in form of action control and reward systems that motivate the employees. All the interviewed managers see themselves as entrepreneurial but the authors believe that the managers only are entrepreneurial in the three first stages and in the fourth if they have the possibility to accomplish finance for their business. The authors believe that the need for more traditional management in the three final stages does not make the entrepreneurial process complete in Zambia.

The authors' conclusion is that small and middle-sized companies in the formal sector in Lusaka, Zambia are managed in a more traditional way than entrepreneurial. However the authors draw the conclusions that there are many entrepreneurial possibilities in Zambia but the Zambian context and business environment make the entrepreneurial process complicated. The authors believe that reasonable interest rates, consistency in inflation and exchange-rates, less bureaucracy as well as education and access to skilled labor are some of the most vital requirements needed for entrepreneurial development in Zambia.

Finally the authors would like to conclude the research with a quote from respondent F;

“Do not give them the fish but teach them how to fish”.

Respondent F refers to the population of Zambia and he means that Zambia needs skilled and educated labor which consequently would lead to more entrepreneurial possibilities and companies. The research shows that there is lack of education and skills in Zambia and therefore the authors believe that Zambia needs to increase the amount of education and the ability to carry through domestic production. The authors believe that with more education and skills the entrepreneurial process will be easier to accomplish.

7.2 Proposals for further research

When performing this minor field study the authors have during the process come up with ideas and suggestions for further research. As this research indicates the informal sector in Zambia is large and therefore the authors find that a similar research within the informal sector in Zambia would be interesting to conduct.

The authors also suggest that it would be interesting to identify similarities and differences in a comparative study with company management in industrialized countries.

Additionally, the authors would find it interesting to compare the Zambian managers' management to the management performed by the foreign investors acting in Zambia.

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Appendix 1: Introduction Letter

Participation in research about Management Control Systems and Entrepreneurship in Lusaka

We are two Swedish students from the School of Business, Economics and Law at the University of Gothenburg. We are in Lusaka to write our minor field study arranged by Sida (Swedish International Development Cooperation Agency).

The main purpose with our minor field study is to investigate how companies in Zambia are managed and if the companies are managed in an entrepreneurial way. We also aim to investigate how managers in Zambian companies define entrepreneurship and what they believe is needed for future business and entrepreneurial development in the companies and in Zambia.

This interview will only be used as material for our master thesis. The interview information will not be handed out, sold or used in any other context. Professional confidentiality is prevailed and you have the right to be anonymous if that is requested. You do not have to answer all the questions and you may also break off the interview at any time.

We have full awareness that our interview may intervene with your ordinary schedule. Therefore we appreciate and are very thankful for the time and effort you put into our minor field study by sharing your experiences with us.

If you have any further questions after the interview, feel free to contact us.

Kind regards

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Appendix 2: Interview Guide

1. Background of the respondent and company information

- a) Name?
- b) Age?
- c) Level of education?
- d) Previous business activities/employment?
- e) What position do you have in the company/activity?
- f) How many years have you been within the company/performing your activity?
- g) Describe your business/activity? (product/service, employees, clients)
- h) What are your company's goals and visions? (objectives)

2. Definition and level of entrepreneurship in the company

- a) What is your definition of entrepreneurship?
- b) Do you see yourself as an entrepreneur?
- c) Do you see your company as an entrepreneurial company?
- d) Have your business changed since the start? (size, development, activity)
- e) If there has been a development in your business, then what are the reasons and the background for this?
- f) Have your company introduced a new product/service, product process or discovered a new market in the last twelve months?
 - If yes- please describe?
- g) What makes you different from your competitors?
- h) What is your opinion about the company's future?

3. Management control systems in the company

- a) Do your employees have to achieve specific economic targets?
- b) What happens if they achieve/do not achieve the targets?
- c) Do the employees have to report their results?
 - If yes- to whom? And how often?
- d) Do your employees have specific instructions of how to work?
- e) Are your employees authorized to make their own decisions in the company?
- f) Do your employees often discuss new ideas with you?
- g) How motivated are your employees to make their own initiatives?
- h) Does your company provide any education or training for the employees?
- i) Does the company have a budget?
 - If yes – describe it?
- j) Do you work after/follow a specific budget?
- k) What kind of budget restrictions does the company have?
- l) Does your company have a flexible budget? Can you and/or your employees influence it?
- m) How is the company managed and structured?
- n) Who makes the different decisions in the business?
- o) Does your company use any kind of reward system?
 - If yes- what kind?
- p) Does the reward system motivate your employees?
 - If yes- in what way?
- q) Would you say that your company has a culture?

- If yes- please describe?
- r) Would you say that your company culture encourage entrepreneurship?
- s) Does the company culture influence the company?
 - If yes- how?

4. Future business and entrepreneurial development in the companies and Zambia

- a) Does the Zambian government encourage entrepreneurship in local companies?
- b) Is there anything that prevents you and your company's ability to develop in Zambia?
 - If yes- what prevents you?
- c) What do you think is needed for future business and entrepreneurial development in Zambia?

Do you have anything you would like to add to the interview?

Appendix 3: A summary of the management control systems in the companies

Company:	A	B	C	D	E	F	G	H	J	K	L
Result control	X	X	X	X	X	X	X	X	X	X	X
Budget			X		X					X	X
Organizational Structure:											
<i>Vertical</i>	X	X	X		X	X	X	X	X		X
<i>Horizontal</i>				X						X	
Reward System	X	X	X	X	X	X	X	X	X	X	X
Action control	X	X	X	X	X	X	X	X	X	X	X
Personnel/cultural control	X	X	X	X	X	X	X	X	X	X	X
Culture	X	X	X	X	X	X	X	X	X	X	X
Education and training for employees	X	X	X	X	X	X	X	X	X	X	X
Employee decision-making:											
<i>Encouraged</i>	X	X									X
<i>Not encouraged</i>			X	X	X	X	X	X	X	X	
Consult and discuss new ideas with employees	X	X		X	X	X	X	X		X	X