



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Management Control Systems

- A study of the re-regulation in Apoteket AB

Bachelor Thesis in Business Economics
Management Control
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Abstract

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Title: Management Control Systems – A study of the re-regulation in Apoteket AB

Background: In July 2009, the pharmacy market in Sweden was re-regulated. Apoteket AB was before the re-regulation a monopolistic company but was due to the re-regulation partly sold. New pharmacies were established on the market and therefore Apoteket AB was exposed to free competition. This thesis is about how the management control systems have been affected by the re-regulation.

Research Problem: When former monopolistic companies are exposed to free competition, the management control systems are affected. Companies that never have thought about competition now have to prepare for competitors and focus on keeping their customers. How does the management control systems changes when a monopoly market is exposed to competition?

Purpose: The purpose of this thesis is to describe and analyze how the re-regulation of the pharmacy market has affected the management control systems in Apoteket AB.

Methodology: Through a qualitative case study, this thesis is based on five interviews with employees at different positions in Apoteket AB. A deductive approach of the case study has been used in the making of this thesis.

Conclusion: This thesis has led to the conclusions that the management control systems in Apoteket AB have change within result controls, action controls and personnel/cultural controls. It can also be concluded that the prices are unchanged, the opening hours have increased, the number of pharmacies in Apoteket AB has decreased and the customer service in Apoteket AB has increased.

Keywords: Management control systems, Re-regulation, Apoteket AB

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1. Introduction

The first chapter intends to make the reader familiar with the subject of the thesis. It will include a background to the chosen subject, which briefly describes the topic. Furthermore, it will conclude a research problem about the subject and the purpose will also be defined. At last the disposition is presented.

1.1 Background

In July 2009 the pharmacy market in Sweden was re-regulated. This thesis is about how *Apoteket AB*'s management control systems have been affected by the re-regulation.

Re-regulation and liberalization of markets in Europe have increased during the last years. Great Britain started the re-regulations in the 1980's with a major liberalization and privatization process. The United States of America started the same process in the 1970's. When a market is re-regulated, it opens up for free competition.¹ In Sweden, several re-regulations have been made under the last two decades. The taxi market was re-regulated in 1990, the rail market was partly re-regulated in 1990, the telecommunications in 1992, the domestic air in 1992, the postal services in 1993 and the electricity was deregulated in 1996.² Free competition is significant for economic growth; the understanding of this is one of the reasons for the re-regulations.³ Additional reasons for re-regulations are; to increase social welfare, to increase economic development and improve the efficiency in the company.⁴ The latest re-regulation in Sweden was the pharmacy market. In 2006 the Swedish government decided that an inquiry consisting *Sveriges Läkarförbund*⁵ among others, was to engage in a re-regulation process within the monopolistic pharmacy market. A proposal, divided in two parts was submitted in 2008. The first part of the proposal suggested that it will be possible for interests other than *Apoteket AB* (henceforth *Apoteket*) to distribute prescribed medicinal and other non-prescription products. The second part suggested that distribution of a limited selection of non-prescription drugs should be conducted in business outside of the pharmacy market.⁶ The former monopoly *Apoteket* was divided and partially sold.⁷ After the re-regulation, *Apoteket*'s sole right within the retail trade of medical products ended. A new system, where permission from *Läkemedelsverket*⁸ is required if a pharmacy wants to retail pharmaceuticals was created. To receive permission, the applicant must fulfill certain requirements for suitability and show that he/she has the potential to meet a variety of

¹ Sundbo (2007), p.63

² Bergdahl (2004), p.40- 65

³ Hansing (1998), p.8

⁴ Córdova- Novion, *Regulatory Policies in OECD Countries – From Interventionism to Regulatory Governance*, (France: OECD Publications, 2002), p.46

⁵ *Sveriges läkarförbund* is the doctors' trade union and professional organization. – *Sveriges läkarförbund: Välkommen till Sveriges läkarförbund*

⁶ SOU 2008:4 *Omreglering av apoteketsmarknaden* p.3,23

⁷ *Apotekets omstrukturering AB's Annual Report 2009* p.2

⁸ *Läkemedelsverket* has the responsibility for the control and the approval of medical products. Their mission is to make sure that the patient and that the health care in Sweden has access to secure and efficient products. - *Läkemedelsverket: Läkemedelsverkets verksamhet*

demands placed on the business.⁹ There must be at least one operator with pharmaceutical expertise and there must also be a person who is responsible for the pharmaceuticals.¹⁰

Apoteket is a Swedish public company owned by the government, with *Socialdepartementet*¹¹ as the responsible authority.¹² Apoteket offers goods and services to customers, producers and organizations in pharmaceuticals and healthcare and strives towards the vision “*a life of health*”. One of Apoteket’s goals is to have profitability in line with the best in the industry and a strong position in the health market.¹³ Apoteket has due to the re-regulation been exposed to free competition. The more competitive environment a company face, the more it has to control the costs, marketing, finance and evaluate the production. It is therefore a connection between competition and management control systems.¹⁴ The management control system is a critical function in an organization. Management control systems encourage employees and managers to make decisions in line with the organizations interest. Furthermore, it enables managers to use devices to ensure that the employees do what is best for the organization.¹⁵ Depending on the organization’s internal and external environment, the management control system varies. When designing a management control systems the external environment is considered, such as competitors, clients and the society in which the organizations exist.¹⁶ Management control systems consist in general of three major parts; *results controls*, *action controls* and *personnel/cultural controls*.¹⁷ The management control systems in Apoteket consist of different variables such as *goals*, *visions*, *strategies*, *incentives system*, and *balanced scorecard* among others. These variables have been affected by the re-regulation and will be investigated further in this thesis.¹⁸

1.2 Problem Statement

Because of the recent re-regulation of the pharmacy market an interesting question is how the re-regulation has affected the pharmacies on the market. One of the main effects in a monopolistic market, which is about to be re-regulated, is that the organizations faces free competition. Apoteket, a state owned company which lost its monopoly in 2009 is now facing these new market conditions. When former monopolistic companies are exposed to free competition, management control systems are affected; companies that never have thought about competition now have to prepare for competitors and focus on keeping their customers. A study made by Khandwalla shows, that the more competitive environment a company face, the more it has to sharpen its management control systems. He also stresses that there is a connection between competition and the use of management control systems.¹⁹ A question is therefore how management control systems changes when a monopoly market is exposed to

⁹ 2008/09:145 *Omreglering av apoteksmarknaden* p.1

¹⁰ 2008/09:145: *Omreglering av apoteksmarknaden* p.1

¹¹ Socialdepartementet is a department in the Swedish government. It has areas of responsibilities, for example social care and the public health. Under these areas, Apoteket AB, among others, operates.- Regeringen: *Socialdepartementet*

¹² Apoteket’s *Annual Report* 2010 p.74

¹³ Apoteket AB, 2010: *Om Apoteket*

¹⁴ Khandwalla (1972), p.282

¹⁵ Merchant, K.A & Van Der Stede, W.A, *Management control systems*, 2. ed., (New York: Financial Times/Prentice Hall, 2007), p.3,8

¹⁶ Anthony, R.N, & Young, D.W, *Management Control*, 7. Ed., (New York: McGraw-Hill Higher Education, 2003), p.5

¹⁷ Merchant (2007), p.16

¹⁸ This statement will be drawn in the empirical findings.

¹⁹ Khandwalla (1972), p.282

competition. Apoteket is, due to the re-regulation, about to face changes in their management control systems but how the competitive environment has affected the management control systems is still uncertain.

The re-regulation has affected the pharmacy market in different fields and studies have been made on the subject. For example, Erik Wikberg has made a research regarding the reformation. The research has focused on the direct and indirect consequences for the pharmacy market structure.²⁰ A subject that is relatively uninvestigated is how the re-regulation has affected the management control systems in Apoteket. Because of the relatively new subject, and the fact that it has not been investigated to a larger extent, the effects of the re-regulation in Apoteket's management control systems are a question that requires further investigations. Thereby our main question is:

How have Apoteket's management control systems been affected by the re-regulation in July 2009?

1.3 Purpose

The purpose with this thesis is to make a descriptive case study about how management control systems changes when a monopolistic company opens for free competition. Before the re-regulation, Apoteket had an arrangement with the government to operate as a monopolistic company. As the market now has changed and Apoteket is operating on a market with a free competition our purpose is to, with help from normative research, describe how this has affected the management control systems within Apoteket.

1.4 Disposition

This thesis begins with an introductory chapter which includes a background to the chosen subject. The chapter continues with a problem discussion and thereafter a purpose, drawn from the problem discussion.

Chapter two of the thesis progresses with a theoretical framework. The theoretical framework includes a section about management control systems and a section with studies about management control systems in change.

The thesis proceeds with chapter three, which includes a methodology about how the information is collected, how the research is done and the reliability and validity of the study.

The thesis then progresses with empirical findings in chapter four. The chapter starts with a description about the changes in Apoteket and then proceeds with a description about how the management control systems have been before and after the re-regulation.

Chapter five includes the analysis. In this chapter, the empirical findings will be analysed and discussed with help from the theoretical framework in chapter two.

Finally, chapter six includes a conclusion. The conclusion contains the answers to the thesis's questions, which will be drawn from the analysis.

²⁰ Wikberg (2010) p.2,3

2. Theoretical Framework

Chapter two includes a theoretical framework which gives the theory necessary to answer the question of this thesis. The theory collected has two purposes; to give the reader understandings about management control systems and to be a basis for the analysis. The theoretical framework includes a section about management control systems and a section with studies about management control systems in change.

2.1 Management Control Systems

Management control systems are a central function in an organization. It is often characterized as the process in which the managers certify that the employees work towards the organization's objectives and strategies. Management control systems purpose is to direct activities and to achieve the organization's goal; this by influencing and encouraging the employees' behaviour.²¹ There are in general three types of management control systems; results controls, action controls and personnel/cultural controls.²² Each of these three shall be further examined in this chapter.

2.1.1 Results Controls

Results controls are characterized as a powerful way to influence and control behaviors in an organization. It is one of the most dominant methods to control the performance of employees; both those with decision authority and the ordinary personnel. Results controls affect employees because it makes them aware of the goals and the rewards that are connected with the goals. The rewards and the goals inform and remind employees which areas that is important to focus on. The organization does not dictate to the employees what actions they should take; the employees are empowered to make decisions they believe will give the best results. Results controls are especially necessary for the implementation of a decentralized form in an organization.²³ The implementation of results controls requires four steps; *Defining performance dimensions, measuring performance, setting performance targets* and *providing rewards*. Defining performance is critical because the objectives that are defined are giving the employees ideas of areas that are important. Because of the objectives link to reward, it is important to measure performance correctly. It is also significant to set the right performance targets; they must for example be moderately hard. The targets stimulate actions by giving the employees goals to strive for. The final important element of results controls is incentives. The incentives purpose is to encourage employees to reach their goals. Incentives can include contract of anything the personnel appreciate, such as promotions, prestige, sales increases, power, a bonus, or job assignments.

A majority of organizations controls the performance of their employees through *financial results systems*. Financial results systems include results defined in monetary terms; most frequently in terms of profit, costs, revenues and returns. The financial results systems consist

²¹ Anthony & Young (2003) p.3-5

²² Merchant (2007), p. 16

²³ Merchant (2007), p.25-26

of three fundamental elements; *financial responsibility centers, planning and budgeting systems* and *incentives contracts*. Financial responsibility centers and planning and budgeting will be further described in the section below.²⁴

2.1.1.1 Financial Responsibility Centers

Financial responsibility centers are the centers in which the employees or the individuals' liabilities are described, mostly in financial terms. The responsibilities are often defined as amounts of inputs consumed, physical units of outputs, schedule attainment, customers' satisfaction or other financial indications in the described areas. Decentralization is associated with autonomous entities or responsibility centers. Decision making authorities are also pushed down to the organizations lower levels. The financial responsibility centers can be discerned in four types; *profit centers, revenue centers, cost centers and investment centers*.

The managers in profit centers are held accountable for profits. The profits are defined as the difference between generated revenues and the cost of producing the revenues. The managers are not held accountable for the investment made to produce the profits. In revenue centers, the managers are held responsible for creating revenues. The revenue center arrange for the sales managers to retain and attract new customers and to embolden them to make profitably sales. In investment centers the top corporate managers such as the *chief executive officer* and *chief operating officer* are responsible for the accounting returns on investment. The typically accounting return in investment centers are return on investment (ROI), return on equity (ROE) and return on capital employed (ROCE). The managers in cost centers are held accountable for cost of resources consumed, for the financial measures of the inputs. Control is in general applied by certifying that the budgeted level is achieved.²⁵

2.1.1.2 Planning and Budgeting

Planning and budgeting systems is required in an organization to clarify what it desires to achieve in terms of goal. It also clarifies the expected result and the strategies it uses to get there. The core within planning and budgeting is to make plans, to coordinate, to facilitate management oversight and to motivate the employees. In large organizations three major types of planning cycles are used: *strategic planning, capital budgeting* and *operational budgeting*. The strategic planning, often called long range planning, are consisting a generic procedure to figure out the organization's missions, goals and the strategies required to fulfill them. Capital budgeting aims to identify specific action project and the resources the project will consume. The capital budgeting involves implementation of the project over normally one to five years. The capital budgeting requires a more detailed planning than the strategic planning. Operational budgeting involves the identification and planning of short-term financial plans, for the next year. Typically operational budgeting is an organization's *budget*. The budget matches the organization's structure and how much revenues, costs, assets and liabilities the organization requires.

When the strategic planning, the capital budgeting and the operational budgeting is defined with the organization's strategy, goals, expected results, plans and budget, the planning and

²⁴ Merchant (2007), p. 29-31, 269

²⁵ Merchant (2007), p. 26, 270-274, 445

budgeting become targets. Targets are often linked to incentive contracts and affect therefore the employee's motivation. The targets issue is how challenging they must be and at which level the targets provide the best motivation for the employees. An important question regarding targets is how much influence the employees shall have in defining them. When the employees are involved in the procedure, called *bottom up*, they become more committed to accomplish the targets.²⁶

2.1.1.3 The Balanced Scorecard

The balanced scorecard is a method to evaluate and quantify non-financial performance measures. It is characterized by how an organization's goals and vision are connected and how they communicate with the organization's short-term operational activities. The balanced scorecard work closely with an organization's strategies and the starting point are the goals, the vision and the business strategy of the organization.

The balanced scorecard consists of four perspectives; *the financial perspective, the customer perspective, the internal perspective and the innovation and learning perspective*. In the financial perspective, organizations evaluate the result and the return on equity (ROE) to the shareholders. The customer perspective focuses on how the customers views the organization and give further details what the organization offers to the costumers. In the customers perspective the organization clarifies how it shall differ from the competitors and how it will retain and gain new customers. The internal perspective illuminates what the organization must excel at, which includes improving what the organization offers to the customers and improving processes and reducing costs connected to the productivity means in the financial perspective. It also measures cycle time, yield and efficiency. The last perspective, the innovation and learning perspective has its focus on how the organization shall continue to improve and create value for the organization's intangible assets.²⁷

A fifth perspective is common in Swedish companies and it is called the *employee perspective*.²⁸ In Sweden, the employee perspective is a natural focus area and especially in the service sector. Both non-for profit organization and for-profit organizations in Sweden use the perspective.²⁹

2.1.2 Action Controls

Action controls are a way to ensure that employees perform acts in the organizations best interest. Action controls are a direct form of management control systems and consist of four basic areas; *behavioral constraints, pre-action reviews, action accountability and redundancy*.

In behavioral constraints the actions are constrained physically or administratively. The physical constraints involve locks on desks, computer passwords, limitations to specific areas where sensitive and secret information is kept. Administrative constraints are on the other hand used to limit the employee's capabilities to execute specific acts, often restrictions of the authority to make certain decisions. In pre-action reviews, the employee's actions are

²⁶ Merchant (2007), p.330–332,335,340

²⁷ Johansson, Christer mfl, Den nya ekonomistyrningen, 3.ed., (Malmö; Liber AB, 2007), p.618-621

²⁸ Teemu (2001), p.207-208

²⁹ Jonsson (2000), p.10

controlled and reviewed. Action accountability includes the act where the employees are held responsible for the actions they have taken. The employees are either punished for actions that diverge from the suitable or rewarded for the good actions. It is therefore important for the organization to define which actions that is acceptable and the ones that are not. Redundancy means to assign more employees to a special task than is considered needed or to have access to back-up employees. Redundancy is relatively expensive and is therefore seldom used.³⁰

2.1.3 Personnel and Cultural Controls

Personnel controls involve the employee's propensities to motivate and control themselves. Personnel controls help ensure that the employees understand what the organization requires from them and that the employees have all the resources and capabilities they need to do a good job. In personnel control *self-monitoring* is a major factor. Self-monitoring is the natural condition in which the individuals feel the commitment to do a good job with a natural commitment to the organization's goals.

Cultural controls are a way to encourage and motivate employees through an organization's norms, values and through group pressure. When the co-workers have emotional ties to the organizations and its values, the cultural controls becomes extra effectively. In cultural controls the organization's culture is viewed as a core element. The culture is for example built on norms, traditions, values, ideologies and beliefs. The norms in the culture can be embodied in either written or unwritten rules. To shape an organization's cultural controls, codes of conduct and group rewards can be used. Codes of conduct are often written documents of the organizations values, commitment to stakeholders and other important ways the managers wants the organization to operate. The codes of conduct help the employees to understand which behaviors that are expected.³¹

2.1.4 Management Control Systems and Competition

The more competitive environment a company face, the more it has to control cost, marketing, finance and evaluate the production. A management control system has in general multidimensional benefits and costs. The systems overall designed purpose is often to secure the desired quality of the production in relation to the desired costs to improve the coordination between the sections in the organization. The management control system's purposes are also to secure and generate good information about operations that facilitates management action. Operating and management control systems is expensive; this because trained personnel are required and since less tangible cost always occurs.

There is a connection between competition and the use of management control systems. "*We have seen that there is a positive association between competition and the use of sophisticated management controls.*"³² The product related competition influence the importance of the economic and production management in a company; this means that greater competition requires more controls to implement the strategies. When the competition intensifies, the management control systems benefits outweigh the systems costs. This means that those entrusted with the planning and designing of the management control systems must

³⁰ Merchant (2007), p.76-79

³¹ Merchant (2007), p.83-89

³² Khandwalla (1972), p.282

considering the degree of competition that is facing the firm. For a company which is not facing serious competition, an elaborate control system can produce net benefits but a sophisticated control system in a company, which is not facing serious competition, can do more harm than good. Product competitions from other companies have a greater impact on the management control systems use than price competition and distributive competition.³³ Product competition is tending to create much more complex organizational forms; this by increase the research and development and to continually search for new market segments. A monopoly exposed to free competition may work to control and reduce the costs but gets less market shares. The need of larger integration or planning of efforts is greater when an organization becomes differentiated by a variety of action that requires corresponding actions of management practices such as norms and values. Competition can affect profits which can lead companies to become more risk-averse. If the company is risk-averse, it is more unlike to invest in a new control system which faces the competition better.³⁴

2.1.5 Change in Management Control Systems

A central question is the explanation why and how organizations changes. According to Van De Ven and Poole, four basic types of theories explains why and how organizations and their management control systems changes; *the life-cycle theory*, *the teleological theory*, *the dialectical theory* and *the evolutionary theory*. In the life-cycle theory, the organization change because of intrinsic organic growth and often follows a special pattern. The teleological theory perceives organizations as progressive and goal-oriented; this changes when there is a gap between the organization's desired and actual state. When the gap is too big, the organization introduces measures to reduce it. The development moves the organization or the entity towards the final state and the organization understands its environment and the resources' constraints. In the dialectical theory, there is a dialectic approach to explain discontinuities in the organization with help from conflicts and conflicts of interest. The evolutionary theory is based on the fight for survival and a natural selection.³⁵

Kloot stresses that organizations must find ways to survive when the environment rapidly changes. The *Organizational learning* is a process in which the organization *adapts* or *generative* to fit the changed environment; if the organization not re-engineers itself, it is doomed to failure. Furthermore, organizational learning is the process in which the employees collect new knowledge and insight to change their actions and behavior. Kloot presents two types of organizational learning; *single loop learning* and *double loop learning*. In single loop learning, only small changes as a result of the environmental changes are made; the existing strategies, structures and actions continue in the organization. When the learning not only detects the error but also questioning the underlying causes and goals it is called double loop learning. Double loop learning solves incompatible organizational norms by creating or restructuring new norms.³⁶

³³ Khandwalla (1972), p.284

³⁴ Khandwalla (1972), p.282-285

³⁵ Van De Ven & Poole (1995), p.510, 513, 516,517,518

³⁶ Kloot (1997), p.49

According to Kloot, the management control systems either help or make it difficult for the organization to change. The management control systems can be reactive and change in a passive way or strengthen the existing actions; overall, management control systems shall have an important role in the organizations response to environmental change.³⁷ Kloot presents that management control systems change in order to response to strategic changes and that management control systems both affect and are affected by organizational learning.³⁸

Generative organizational learning is reliant on the organization's management control systems; to support the management within the organization, it is important to broaden the view of the management control systems and not limit them with traditionally budgets and accounting systems. If the organization shall survive in a dynamic environment, double loop learning is required. Generative or double loop learning are required a specific existence of management control systems and the organization must use a freely appropriate accounting system. This system must not only contain information about revenues and cost; information about the external environment and estimations about the future are important and the information must freely and easily flow through the organization.³⁹ Effective management control systems must also include performance measurement systems; these performance measurements include both non-financial and financial measurement, for example the balanced scorecard. According to Kloot, the performance measurement should be horizontal; the responsibility must become closer to the employees. Furthermore, Kloot stresses that the *associated reward systems* must encourage creativity and risk-taking in the organization's desired areas. The strategic planning must focus more on the employees and involve more managers, which would encourage the flexibility and creativity. It is important that the organization respond to sudden external change, which should be the organization's focus. In organizational learning, high quality and the development of the organization's shared vision are important. These factors increase the organization's capability to gain information and knowledge, which are element of the organizational learning. The factors also make the organization better to respond to environmental changes, organizations whiteout them are limited in their chances to survive in changed environment.⁴⁰

Chenhall and Euske stresses that some studies have proven that management control systems helps to change the strategic focus in organizations. Focus on traditional values in the organization's history has changed to a broader focus on efficiency, quality and customers.⁴¹ Paul, Kober and Ng stress that an organization's management control systems changes to match changes in strategy; the management control system both shapes, and is shaped by strategy.⁴² At the same time, Burns and Scapens stresses that changes in management control systems often involve radical changes in the organization's routines and the change process is often influenced by the existing routines. To change the management control systems, a great understanding of the organizations member's habit and information about the day-today

³⁷ Kloot (1997), p.47,49

³⁸ Kloot (1997), p.54,55

³⁹ Kloot (1997), p.69

⁴⁰ Kloot (1997), p.70

⁴¹ Chenhall & Euske (2006), p.604

⁴² Paul, Kober, Ng (2007), p.447-448

activity are required. Burns and Scapens explain furthermore, that it is easier to introduce changes, if the changes not challenging the organization's existing routines. If the changes are in conflict with the existing routines, they are much harder to implement. It is likely there is a resistance towards change, the resistances are divided in three parts; firstly, formal and open resistance because of competing interest. Secondly, there can be a resistance because of the lack of the knowledge and the experience to face such changes. Thirdly, there can be resistance due to the mental allegiance to existing ways of thinking and implemented routines. These resistance effects are difficult to predict and will depend on the specific organization.⁴³

Burns and Scapens stress that management control systems can change in two ways, *informal* and *formal*. Formal change occurs usually through new rules and by powerful groups' and individuals' actions. When the routines changes over time to new conditions and at a more tacit level it is called informal changes. If the informal changes lag behind the formal changes, there are likely to be anxiety and resistance within the employees, which in turn can lead to a failure of the implementation of the changes.⁴⁴

According to Burns and Scapens, one approach of exploring changes in an organization is in the ownership structure or the production technology. The effects of the changes can then be investigated on the management control systems practices. It is likely to believe that the management control systems change will be top-down and have it first impact on the organization's formal rules and then only an indirect impact on informal processes. When the changes are bottom-up, they are more likely to have a tacit impact and shape both formal and informal management control systems processes.⁴⁵

According to Hedberg and Jönsson, information systems that enable the organization to stay alert and to identify conflict, changes and detect problems are required in changing environments. Furthermore, Hedberg and Jönsson claims that the more resources and experience an organization has given into action programs, the harder it is to replace the old behaviors with new action and routines. Information systems often are standardized and based on routines, which makes their greatest advantage to their greatest disadvantage; they have high efficiency but lower flexibility. Because the organization is united with the existing management control systems, it cost time and effort to change behaviors.⁴⁶

Since the environment often changes, flexible information systems are required in an organization. An organization must discover that new situations have occurred and that old behaviors and experience need to be questioned. When the organization has analyzed the changed environment, new actions such as routines and strategies are developed.⁴⁷ Therefore a changing environment, according to Hedberg and Jönsson, forces to change the organization's model of the world and the organizations way of collecting information. Structural changes in the market may develop new world views and old assumptions become undermined; this transition period is often filled with confusion since the goals of the organization are

⁴³ Burns & Scapens (2000), p.12-17

⁴⁴ Burns & Scapens (2000), p.18

⁴⁵ Burns & Scapens (2000), p.19

⁴⁶ Hedberg & Jönsson (1978), p.47

⁴⁷ Hedberg & Jönsson (1978), p.53

threatened and since it is hard to develop new directions and change the existing information systems. A changed environment requires a changed information system and different processes of decision.⁴⁸

⁴⁸ Hedberg & Jönsson (1978), p.56

3. Methodology

In Chapter three, the method of the thesis is described. Firstly, the case study is presented. Thereafter, the chapter concludes a description of the collected data. Finally, the credibility of the collected data is described.

3.1 Case Study

A *case study* is a survey that comprehends one or a few cases, for example; an individual, a group or a course of events. The purpose with a case study is to evaluate a specific part of a major event. The specific part represents the reality to a certain extent. The relevance of a case is determined by the question of the research. A case study is often suitable if the question of the research comprehends *how* and *why*. A single case study does never represent the reality completely; which is one of the disadvantages of case studies. It is therefore important to be cautious when drawing conclusions from a case study.⁴⁹

In this thesis, a case study of the re-regulation in the Swedish pharmacy market is made. We chose the topic since one of us has worked at Apoteket before it was re-regulated and was curious about how the company's management control systems have been affected after the re-regulation. This in combination with our interest of management control systems made the topic of our thesis suitable for us. The case study of this thesis will be further described in the following sections of the chapter.

3.1.1 A Deductive and a Qualitative Approach

In a *deductive case study*, an initial question from theories is worded. A theoretical framework is then developed and a case is determined. Empirical material is collected and analyzed with help from the theory. At last, conclusions are drawn. In a deductive case study, theories or models that are considered valid are the starting point. The logical conclusions are then tested in the reality. The theoretical framework decides which information that is aimed to be collected and how this empirical information should be connected to the theory.⁵⁰ In this thesis, a deductive approach of a case study has been used. To be able to analyze our research question, information about how management control systems changes in general, was collected. A question how to the management control systems have changed in Apoteket was then defined. By collecting empirical material from interviews, the empirical finding was analyzed with help from the theoretical information.

A *qualitative research* is a study that aims to create results and conclusions with a qualitative analyze and with qualitative data.⁵¹ In a qualitative research, the goal is to gain descriptions, understandings and discoveries. The situation is natural and known by the researcher. The data collection is primarily interviews; which have been used in this thesis.⁵² Our method

⁴⁹ Lundahl, U & Skärvad, P.H, *Utredningsmetodik för samhällsvetare och ekonomer*, 3. ed., (Sweden: Studentlitteratur, 1999), p.187

⁵⁰ Merriam, S.B, *Fallstudien som forskningsmetod*, 1. Ed., (Sweden: Studentlitteratur, 1994), p.33

⁵¹ Lundahl & Skärvad (1999), p.101

⁵² Merriam (1988), p.32

choice has resulted in a qualitative approach; this since our purpose was to investigate the effect of the re-regulation with understandings and discoveries.

3.2 Data Collection

In this section, the collection of the data is presented.

3.2.1 Primary data

Primary data is information that is gathered from the investigator, mainly from interviews or other observations.⁵³ To fulfill this thesis purpose and to answer the research question, primary data have been collected. The primary data, in this thesis, consist of five personal interviews; this since the requested data was suitable to collect by personnel interviews. Benefits from personal interviews are the ability to avoid misunderstanding and to ask the attendants follow up-questions.⁵⁴ We wanted to obtain these benefits, which is additional reasons why we chose to collect our primary data through personnel interviews.

3.2.1.1 The Choice of Respondents

In this thesis, five respondents were interviewed at different positions in Apoteket. To investigate the effects of the re-regulation in the daily work, three pharmacies and their store managers in *Gothenburg* in *Västra Götaland* were selected; Britt Marie Larsén from *Apotek Svanen*, Ellinor Nielsen from *Apotek Korpen* and Kristina Astbro from *Apotek Tummlaren*. There would have been very interesting, and strengthen the result of the study if more than three pharmacies were interviewed. But given the study's time frame and extent, we chose to let three random pharmacies in Gothenburg participate. Apotek Tummlaren, Apotek Korpen and Apotek Korpen were then selected because they had time to participate in our study. The study could have been applied on pharmacies on other locations than Gothenburg. There would have been interesting to investigate how the management control systems in Apoteket have changed in smaller towns and regions than Gothenburg and Västra Götaland, but given to the thesis time frame and extent it would have been hard to implement. We are therefore aware of, that the result from the empirical findings could have been different if we had chosen to include more pharmacies in different locations.

To gather information about Apoteket's management control systems and the effects from the re-regulation from a central perspective, the CFO Jan Johansson was interviewed over telephone. The operation manager of the southern region in Sweden, Ninna Andermo Hallåker was interviewed over telephone; this to obtain information about Apoteket's daily work viewed from a central level. The manager of the southern region was also chosen since the three pharmacies we investigated are located in the southern Sweden. The attendants were asked over telephone or by e-mail if they wanted to participate in the study.

⁵³ Lundahl & Skärvad (1999), p.52

⁵⁴ Lundahl & Skärvad (1999), p.53

3.2.1.2 The Implementation of the Interviews

The interviews in this thesis have been *semi-structured*; this to give the respondents opportunities to express their views of the subject. The same interview questions have been used to the stores managers and the operation manager of the southern region in Sweden since the questions have been of the same type. Other questions have been used to the CFO; this because of the CFO's knowledge of certain areas is greater. Before the interview the questions and the purpose with the interview were sent in advance, which gave the attendant time to prepare the interview and to inspire confidence. A disadvantage with interview questions sent in advance is the risk of guide the respondent answers in a certain direction.⁵⁵ In this case, we considered the risk of affecting the respondents' answers, but we came to the conclusion that the advantage outweighs the disadvantage; mainly by the respondent opportunity to prepare the questions.

Two of the respondents were interviewed over telephone and the other three were interviewed in their offices. At the time of the interview, the respondent was asked if he/she wanted to be anonymous in the study; all of the respondents chose to participate with their name. The respondent was also asked if the interview could be recorded. At the interview, the respondent received a brief description of the study's topic. One of us had the main responsibility for the questioning while the other one was responsible for taking notes. At the end of the interview, the respondent was asked if there was possible to ask further question by e-mail if any would arise; this was accepted by all the participants.

As we interviewed the CFO and the operational manager, we felt that they were a bit uncomfortable during the interviews. The CFO made it clear that the effects still is a bit unclear and that he could answer more questions next year. We believe this is due to a new business plan which is in progress. The operational manager explained that the content of the business plan is very secret and that we must respect this during the making of this thesis.

3.2.2 Secondary data

Secondary data are collected and compiled by someone else than the investigator. It is often information documented on paper, on the internet or other media. Examples of secondary data are books, news articles, annual reports, contracts and electronic materials.⁵⁶ Articles, scientific articles and other books have also been used to obtain information for the theoretical framework. The scientific articles in this thesis have been gathered from the university of Gothenburg libraries' databases, such as Science direct. The theoretical framework that has been collected serves two purposes in this thesis; it gives the reader understandings about management control systems and works as a base for the analysis. The secondary data has been critical evaluated; mainly by the data's validity, reliability, relevancy and precision. These factors have been estimated due to this thesis purpose and problem statement. The secondary data's origin has also been taken into consideration, mostly by the time of publication.

⁵⁵ Davidson, Bo & Patel, Runa. *Forkningsmetodikens grunder-att planera, genomföra, och rapportera en undersökning*, 3. ed., (Sweden: Studentlitteratur, 2003), p.73-74

⁵⁶ Lundahl & Skärvad (1999), p.52,131

3.3 The Credibility of the Study

In this section a discussion about validity, reliability and the criticism of the sources is made.

3.3.1 Reliability - Validity

Reliability means how reliable the collected data is. If a survey's results can be repeated, it has reliability. Reliability is based on the assumption that if a survey is done twice, the same result will occur. The reliability in a certain research method is based on the statement that there is one reality; repeated observations will lead to same results about this reality.⁵⁷ To make this thesis as reliable as possible, the study is based on personnel interviews, completely independent from each other. The interviews were recorded, and misunderstanding could easily be clarified with follow-up questions. None of the respondents answered divergent to each other, which has heightened the reliability of the answers. Furthermore, the interviews were made on the respondent's office, where no distractions arose. The telephone interviews were made on a quiet location and a telephone with good sound quality was used. The transcription of personal interview can also lower the reliability of a study; this since the body language, facial expressions and gestures often disappears.⁵⁸ We have been aware of this during the transcription, but it has not affected our study's result.

Reliability is a necessary prerequisite for *validity*. Validity is defined as "*the absence of systematic measuring faults*".⁵⁹ Validity is often characterized as *internal* and *external* validity. External validity measures how well the study's results can be applied to other situations; mainly by how well the study's results are generalizable from a scientific research. External validity requires internal validity. Internal validity measures how well the study's results correspond to the reality; are the study's results capturing the reality and is the researcher measuring what he or she believes himself or herself to measure?⁶⁰ As described before, we chose to interview the store managers in three random pharmacies in Gothenburg and two high level managers. We did not apply our study in pharmacies on other locations than Gothenburg and on more than three pharmacies, which have affected the validity of our study. If more pharmacies and their store managers had been interviewed, the validity would have been higher; this since the study's reality would have been better captured. To require a high validity in this study, respondents with good knowledge of the subject were interviewed. Before the interviews, theoretical information about the management control systems was collected; this to prepare the question and increase the validity of the study. The respondents' answers to the interviews have been critical evaluated, mainly by comparing the respondents' answers. The respondents had as far as we can tell no incentives to lie about the answers. We have received the same answer from the three pharmacies and no biased error has occurred, which has heightened the validity of the study. Furthermore, the literature and electronic material that have been used to write this thesis has been evaluated; this by the publication date and by comparing studies and theories with each other.

⁵⁷ Merriam (1988), p.180

⁵⁸ Davidson & Patel (2003), p.104

⁵⁹ Lundahl & Skärvad (1999), p.152

⁶⁰ Merriam (1988), p.177,183

4. Empirical Findings

Chapter four presents the empirical material which has been collected through information from the annual reports in 2006, 2007 and 2010 in Apoteket and by interviews. It concludes a description about changes in Apoteket AB and also the changes in their management control systems. The empirical findings will be the base of the analysis.

4.1 The Organization Structure in Apoteket AB

Johansson states that the organizational structure in Apoteket is decentralized, and has been since before the re-regulation. He also describes that the organization structure in Apoteket consist three business segments, *Apoteket Consumer*, *Apoteket Pharmacy* and *Apoteket Partner*.⁶¹ The CFO, Jan Johansson says that the pharmacy segment consist services for a patient safety health care which increase the quality by pharmaceutical supply, operation of hospital pharmacies and other advisory services to county councils, communes and private healthcare companies. He says further that the partner segment contains distance trade and Apoteket's supply of goods and distribution. The operation manager of the southern region in Sweden, Ninna Andermo Hallåker says that the consumer segment consists of *Öppenvårdsapotek*, which offers medical products to individuals in Sweden. The segment is divided in two parts; southern Sweden and northern Sweden.

Figure 1

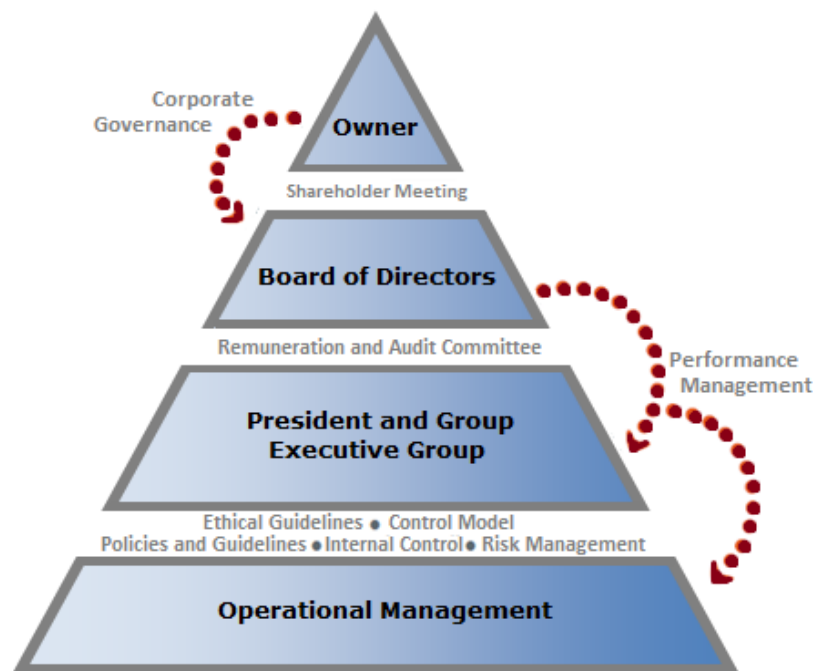


Figure 1 shows the organization structure of Apoteket AB after the re-regulation.⁶²

⁶¹ Apoteket's Annual report 2010 p.13

⁶² Apoteket's Annual Report 2010 p.74 – The table is self-made

4.1.2 Corporate Governance

It is the Swedish law, Ownership policy, *Bolagsordningen*⁶³ and the owner's directive which builds the foundation for the corporate governance in Apoteket. The employment agreement for leading executives and the external financial report are covered by the owner's directive. It also shows the owners' demands in a number of policies, where state-owned companies are required to act as a role model within environment, gender equality, variety and working environment. According to the Swedish act, *Aktiebolagslagen*⁶⁴, three policy-making organs must appear in the company, a *shareholder meeting*, a *president* and a *board of directors*.⁶⁵

4.1.3 Shareholder Meeting

The highest decision making organ is the shareholder meeting in which the owner practice his influence in the company. The board of directors and the chairman of the board are appointed in the annual meeting which also determines the compensations to directors and accountants, and establishes the income statement and balance sheet. Johansson says that any changes in the shareholder meeting have not occurred since the re-regulation. Because of the completed sales process in Apoteket, an extra shareholder meeting was held in June 17 2010 in which a new *Bolagsordning* and a new owner's directive were decided. Apoteket shall, according to the new *Bolagsordning*, conduct its business in such way that a fair medical supply in Sweden is promoted.⁶⁶

4.1.4 Board of Directors

The board of directors has the responsibility for the organization and the administration of Apoteket's affairs such as strategic business plans, policies and agreements in Apoteket.⁶⁷ Apoteket did in 2006, re-elect the board of directors, as a preparation for the future re-regulation. The owner decided that a reinforcement of the financial and commercial competence was needed to secure the board's preparedness for the re-regulation. A decision regarding the owner's representation was also made to broaden the board's competence. The old owner's representation, with commissioners from Government offices was replaced with a developed dialogue between the chairman of the board and the owner.⁶⁸ Today, the re-election of the board was made with suggestions of persons that include expertise around the re-regulation, transformation, financial and legal questions. The board of directors is suggested to possess a knowledge and experience about these areas. The new board is considered to meet the requirements imposed on a company within this business. They also create good conditions for Apoteket to operate on the re-regulated pharmacy market.⁶⁹

4.1.5 Compensation and Audit Committee

An assignment that the *compensation committee* has is to prepare questions about compensation and employment agreement for leading executives. The *audit committee's* assignment is to quality assurance the company's financial reports and to monitor the

⁶³ *Bolagsordningen* shall, inter alia, specify the name of the firm, the district in Sweden where the board shall have its seat, objects of the company and the capital stock. – *Aktiebolagslag* (2005:551)

⁶⁴ *Aktiebolagslagen* concludes regulations about companies – *Aktiebolagslag* (2005:551)

⁶⁵ Apoteket's *Annual Report* 2010 p.74

⁶⁶ Apoteket's *Annual Report* 2010 p.75

⁶⁷ Apoteket's *Annual Report* 2010 p.76

⁶⁸ Apoteket's *Annual Report* 2006 p.69

⁶⁹ Apoteket's *Annual Report* 2010 p.77

company's internal control and risk management. The compensation and audit committee were established in 2007 and any changes since the re-regulation has not occurred within this area.⁷⁰

4.1.6 President and Group Executive Board

The president answer for the ongoing management within the limits held by the board and organizes the company so that appropriate management and control of operations is achieved. By publishing monthly and quarterly economic reports the organization is followed up.⁷¹ Johansson says that he has monthly review meetings with all controllers and quarterly review meetings with the department managers. The result is also reviewed every month in group executive meetings. Even before the re-regulation, the organization was followed up by monthly economic reports and quarterly follow ups included a review of the balanced scorecard.⁷²

4. 2 Management Control Systems in Apoteket AB

4.2.1 Result Controls

4.2.1.1 Goals and Vision

Apoteket's vision is described as "*a life of health*" and it did also exist before the re-regulation. The company's overall goal is to be the leading and most profitable pharmacy operator in Sweden and a participant on the European health market. To achieve this goal, Apoteket offers its customers a wide selection of goods and services within the medicine and health market. The customers are individuals, companies, county councils and communes.⁷³

Before the re-regulation the goals were based on the four perspectives of the balanced scorecard. The core values of Apoteket, before the re-regulation, which were supposed to permeate all actions and all contacts with both customers and other stakeholders, were that they experience the company as thoughtful, credible and innovative thinking.⁷⁴ The core values of Apoteket after the re-regulation has developed. Today, they shall permeate the corporate culture and the daily work and the customers shall experience the company as thoughtful and credible. By being innovative and energetic Apoteket strengthen the experience of itself as an attractive participant in the pharmacy market and its organization works towards a sustainable development.⁷⁵ According to Larsén the goals in Apoteket Svanen are; Apoteket must keep their customers and offer the best service with a personal treatment. Both Nielsen and Astbro agree. Johansson explains that the goals in Apoteket are hard but not unrealistic to achieve. He also states that the effects on Apoteket's goals after the re-regulation still are unclear and that there is more to do within this area. Larsén agrees but adds that Apoteket must sharpen their business to become a strong participant on the pharmacy market. The importance of reaching the goals have increased since the re-regulation and the risk of being overtaken by competitors have also increased. Larsén also states that

⁷⁰ Apoteket's *Annual Report* 2010 p.78

⁷¹ Apoteket's *Annual Report* 2010 p.79-80

⁷² Apoteket's *Annual Report* 2007 p.96

⁷³ Apoteket's *Annual Report* 2010 p.11

⁷⁴ Apoteket's *Annual Report* 2007 p.6-7

⁷⁵ Apoteket's *Annual Report* 2010 p.11

even though the goal is hard to reach, they encourage the employees and also works as a motivation.

Figure 2

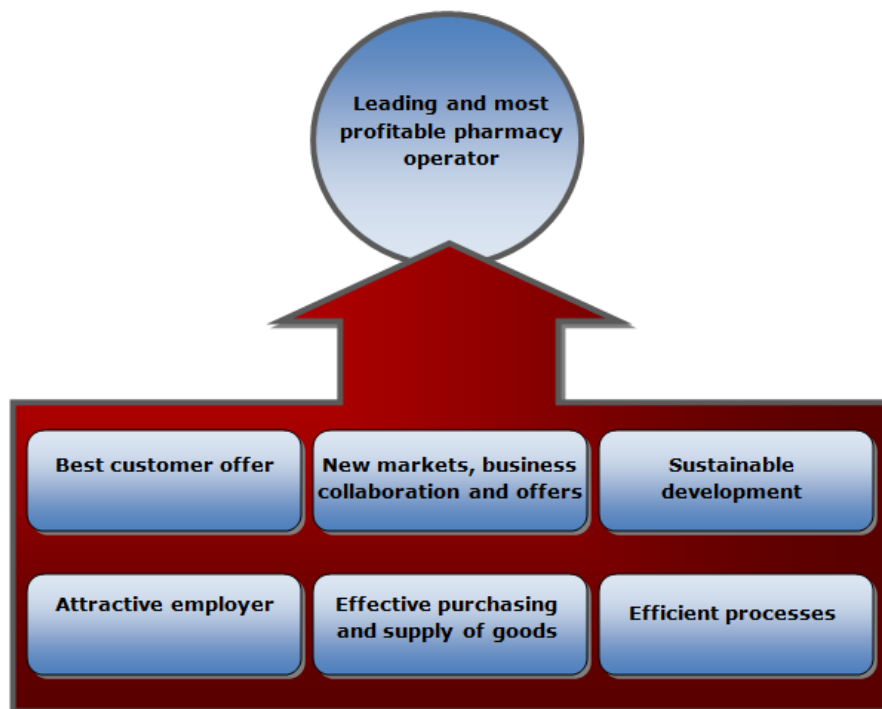


Figure 2 shows the goals within Apoteket AB after the re-regulation.⁷⁶

Apoteket has identified six strategic focus areas, as seen in figure two. These focus areas applies on all entities but due to different economic area in every entity they have different significance. The first focus area; *Best customer offer*, describes that Apoteket shall provide the best customer offer in the pharmacy market. The second focus area; *New markets, business collaboration and offers*, declares that Apoteket constantly shall develop the business through new collaborations and offers in Sweden and internationally. The third focus area; *Sustainable development*, describes that Apoteket's organization shall cherish the sustainable development and sustainable society. The fourth focus area; *Attractive employer*, describes that Apoteket actively shall recruit and train the best employees in the business. The fifth focus area; *Effective purchasing and supply of goods*, declares that Apoteket continuously must, around the purchase and supply of goods for medicines and other pharmaceutical goods, improve the efficiency. The sixth and last focus area; *Efficient processes*, states that Apoteket shall, in order to cut costs whilst creating value, rationalize and simplify their processes.⁷⁷ Nielsen says that Apoteket mainly focus on the best customer offer and attractive employer area but all six focus areas are important in the business. Astbro claims that the best customer offer is very important; it is not just about offering the best customer offer, but also best customer service. Nielsen also states that Apoteket have, within the sustainable development area, environmental objectives; they measure how much medicine they receive back relative to how much they have sold.

⁷⁶ Apoteket's Annual Report 2010 p.12

⁷⁷ Apoteket's Annual Report 2010 p.12

4.2.1.2 Financial and Non-financial Targets

Apoteket has currently a required return on equity (ROE) calculated, as net income (EAT)⁷⁸, as a percentage of average equity, on 20 percent which Johansson claims is tough but not an impossible demand. Apoteket's equity ratio is calculated as shareholder's equity, as a percentage of total assets and they have a required debt ratio of 25-30 percent. In 2010 the debt ratio was 56, 6 percent.⁷⁹ According to Johansson, Apoteket's dividend shall amount to half of net income. Nielsen says that the parameters which the goals are based on have been the same since before the re-regulation. In 2007, before the re-regulation, the expected return on equity (ROE) was 7, 2 percent and the expected debt ratio was 25 percent. Described in the owner's directive in 2007 the dividend was supposed to amount to one third of the result with a regard to the equity ratio.⁸⁰ Because of the re-regulation, the demand to achieve the return on equity has increased and Johansson believes this is due to free competition on the pharmacy market. Nielsen explains that Apoteket measures customer satisfaction with mystery shoppers each year. Larsén explains that the business must have 80 percent positive response and the evaluation is crucial for the development of the employees. Each employee has a responsibility for the customer meeting and if the positive response is below 80 percent a discussion is made how to improve the customer service. Hallåker explains that the mystery shopper filed a report with comments and if necessary, a plan how to make the service better. She also states that trends exist in every pharmacy because of these mystery shoppers. Each pharmacy filed the reports given from the mystery shopper and therefore trends are showed about the customer satisfaction over time. Hallåker believes that this is a good instrument to measure customer satisfaction. Nielsen says that sales per customer are measures and that it always have been measured. She says that sales per customer have not changed since the re-regulation, but due to a new competitor in the local area, a change may come in the future. Hallåker describes that Apoteket generally is a destination market; the customers need medicine and comes to a pharmacy to get it. Apoteket is, thus not a commercial market but according to Hallåker, this is going to change in the future. She believes that Apoteket will attract more spontaneous shoppers. Apoteket also measures customer flow. According to Astbro the customer flow has decreased in Apoteket Tummlaren and also Larsén has notice this change. Nielsen however, says that the customer flow in Apoteket Korpen is relatively the same as before the re-regulation.

4.2.1.3 Incentive System

The incentive system in Apoteket has not changed since before the re-regulation. According to the store manager at Apoteket Korpen, Ellinor Nielsen, the incentive system was introduced due to the knowledge of the re-regulation. She believes that the incentive system would not exist if Apoteket have stayed a monopoly. The incentive plan in Apoteket in 2010 describes that employees or managers can achieve 5000 SEK per person. The performance-based program does not include leading executives of employees on support and staff units.⁸¹ Hallåker thinks that it may be possible to adopt an incentive system for leading executives in the future but it is not on the agenda. Johansson believes that an incentive system is not

⁷⁸ Net income is the earnings after tax payments.

⁷⁹ Apoteket's *Annual Report* 2010 p.13-15

⁸⁰ Apoteket's *Annual Report* 2007 p. 9

⁸¹ Apoteket's *Annual Report* 2010 p.81

suitable for the board due to the political environment but he also believes that it may be possible in the future. To get the incentive all parameters and objectives must be achieved and 80 percent of the customers must be satisfied with the service in Apoteket during one year which is, according to Larsén, almost impossible. An opportunity to achieve a bonus for two leading executives has also been discussed in Apoteket. Johansson says that Apoteket currently has a small incentive system on a local level with few payments. It is important to find the form to attract employees so that Apoteket avoid the risk of them leaving for a better paid job, says Johansson.

4.2.1.4 Financial Responsibility Centers

Apoteket is an organization with responsibility centers and Johansson claims that the *corporate group* is the investment center, the three business segments is profit centers and the entities below is revenue-, cost and profit centers. The store manager in Apoteket Svanen, Britt-Marie Larsén claims that the store manager in each pharmacy has a staff responsibility, an economic responsibility and a profit responsibility. Follow-ups of the results are done every month and are later compared to the years result. She also states that the store managers' tasks have not changed since the re-regulation.

4.2.1.5 Planning and Budgeting

Apoteket had, until the re-regulation, a base for the strategic work which aimed to make the company well prepared for changes in the future in conditions and market situation. They were supposed to do this whilst they fulfilled their social mission.⁸² Apoteket co-operated with the Swedish county council, communes and other health care provider. The core of the business was, before the re-regulation, the knowledge about medicine, pharmaceutical competence, the effects and the usage of medicine. Since the re-regulation, Apoteket's mission to answer for a secure and safe medical supply throughout Sweden has ended. Apoteket has tough, still some important missions on the re-regulated pharmacy market which are described in the annual report for 2010. The missions are; Firstly, Apoteket shall provide ApoDos⁸³ on equal and non-discriminatory conditions to the extent that is requested. Secondly, Apoteket shall transfer register and systems relating to e-dose⁸⁴ to Apotekens Service. At last, Apoteket shall, until the 1st of July 2011, provide an interim solution regarding system support for the Öppenvårdsapotek.⁸⁵ Hallåker explains that a new business plan is in progress which can reform the strategies within Apoteket. The business plan will lead to a new action program and an operational plan in Apoteket. Because of the business plan, the content is secret but it will affect Apoteket's strategies in the future. Hallåker also said that Apoteket had, before the re-regulation, a strategy to sell more non-prescription products. To do this they opened stores called *Apoteket Shop*, which only sold non-prescription products. After the re-regulation, Hallåker explained that a demand to sell both non-prescription and prescription drugs and to have one person who is responsible for the

⁸² Apoteket's *Annual Report 2007* p.7

⁸³ ApoDos is a multi-dose system which delivers medicines to persons requiring regular medication. The medicine is delivered in a special ApoDos box together with completing medication and a medication list. – Apoteket: *Enklare med ApoDos*

⁸⁴ E-dose is a service in which the customer can manage prescriptions via internet. - Apoteket Farmaci: *E-dos*

⁸⁵ Apoteket's *Annual Report 2010* p.11

pharmaceuticals was defined. Therefore it was decided that these Shops must be rebuilt so they can provide prescription drugs within 24 hours with at least one pharmacist in the store.

Johansson explains that the budgetary limits are set by the management who discusses reasonable operational goals and financial goal, which are worked into the budget as usual. He also states that the targets and formulations have been affected due to the free competition, the demands to achieve the budgetary targets has increased. The budget consists of various parameters which the pharmacies must use to create a budget. Hallåker describes the budget process as following: Firstly, requirements are set on each segment which they must deliver. Secondly the budget is broken down in each region and includes a description what each part of the region should contribute with. Within each region a pharmacy has one demand and thereafter each pharmacy makes an action plan which describes how to achieve the demands and goals. Larsén explains that it is the store managers who makes and has the responsibility for the budget in each pharmacy. Nielsen says that the store manager decides how to achieve the targets, if more employees are needed, the store manager makes the decision whether to hire more or not. The budget is made in October and it is send to the area manager and it is approved in November. After the approval the budget may require adjustments. Larsén says that her targets are encouraging and that they are set based on directives from higher units. Each pharmacy has different difficulty to reach the targets in the budget. Astbro says that this depends on location of the pharmacy. Apoteket Tummlaren is located in a suburb and has less customer flow which influences the sales and thus the possibility to achieve the targets. Even before the re-regulation Larsén had the responsibility of the budgeting process. She claims that the requirement for profitability has increased since the re-regulation. Larsén also states that there have not been any changes in the budgeting process in the past ten years.

4.2.1.6 Balanced Scorecard

Apoteket's strategies were, before the re-regulation, built on four perspectives of the balanced scorecard, *Customers, Financial, Internal Business Processes and Employees*. Firstly, the customer perspective focuses on Apoteket being the first choice for the customer in both prescription and non-prescription drugs. Secondly, the financial perspective focuses on that the organization in Apoteket shall give a result which gives the owner an expected rate on equity and to develop the business. Thirdly, the internal business processes perspective focuses on the work to develop new business but also to develop structures and processes to ensure a high quality at low cost. Lastly, the employee perspective focuses on the employees' commitment. According to this perspective, Apoteket's goal is to be an attractive employer with motivated employees and skilled staff, supported by a good leadership.⁸⁶ Johansson states that each segment, consumer, pharmacy and partner, still uses balanced scorecard but there is no use of it on a central level in the organization. Larsén declares that balanced scorecard was, before the re-regulation a requirement in each pharmacy and the use of it still remains even though the requirement is gone. She finds it convenient since the balanced scorecard has been used for several years before the re-regulation. She also claims it to be a good method to motivate the employees. After the re-regulation Apoteket mostly focus on the customers and employees perspectives, which are, according to Larsén, essential for a

⁸⁶ Apoteket's *Annual Report 2007* p.7-8

business. Nielsen confirms that the balanced scorecard is still being used and that there has been increased focus on the customer perspective in the strategic work. Apoteket uses *mystery shoppers*, which is, according to Nielsen, disguised persons who measure the quality of retail services. The mystery shopper is used to keep track on how well their customer service is. The requirement for good customer service has increased after the re-regulation due to the increased availability in pharmacies and competition on the market. It is essential that the customers continue to choose Apoteket as their medical supplier, says Larsén. Hallåker says that the balanced scorecard may disappear due to the new business plan. It is not for sure; this because the business plan still is in progress.

4.2.2 Action controls

4.2.2.1 Routines

Larsén claims that Apoteket has not in a large extent, applied new routines in the daily activities, since the re-regulation and she does not believe that this is going to change either. Nielsen agrees and adds that Apoteket always has had many routines and that new routines are constantly developed. She also adds that the routines in Apoteket have become more market-oriented; only the routines that are needed are developed. Nielsen says further that routines in terms of saving files have decreased. Before the re-regulation, Apoteket saved many documents, today; Apoteket buys storage services where the document is files instead. Nielsen believes that this saves time and facilitates the work. Apoteket, uses behavioral constrains such as locks on decks and computer passwords, pre-action reviews such as control of the employees and action accountability such as holding the employees responsible for the actions they have taken.

Hallåker says that routines on a central level have increased since the re-regulation. Before Apoteket was operating on a monopolistic market and answered for all activities. After the re-regulation, Läkemedelsverket controls the supervision of the routines clearer. They have demands such as the requirement that a person with the responsibility of medicine must be in every pharmacy and it also accept the interior design in each pharmacy. This has resulted in increased paper-work in Apoteket.

4.2.3 Personnel and Cultural Controls

The store managers in Apoteket also work with the daily activities in the business which according to Larsén gives a team spirit and improves the communication. Nielsen adds that it is hard, for a store manager, to control if she does not know how the business works. Therefore it is, according to her, important that the store manager is a part of the daily work.

During the process of the re-regulation the employees in Apoteket Svanen was worried about the possible sale but when the news arrived, that they was going to stay within the company, the worry disappeared. Traditions within Apoteket differ depending on which pharmacy it is. In Apoteket Tumlaren there is a longer coffee break on Fridays and in Apoteket Korpen they have fruit baskets. According to Nielsen, Apoteket has Christmas presents every year and some years they have a Christmas buffet. Before the re-regulation, Apoteket had Christmas buffet almost every year and Astbro believes that the decrease is due to money-saving. Hallåker believes that Apoteket has been more efficient and economical since the re-

regulation which can lead to a decrease in traditions, such as Christmas buffet. After the re-regulation, the employees in Apoteket have got better benefits, they now have discounts on non-prescription products and they have increased *Friskvårdspengen*.⁸⁷ The communication with the head office works, according to Larsén fine. Nielsen adds that the communication has changed. Before the-regulation Apoteket was a larger organization with more pharmacies. After the re-regulation many pharmacies were sold which lead to a smaller organization with better communication and faster decision-making.

⁸⁷ Money for health maintenance

5. Analysis

Chapter five includes the analysis of this thesis, which is based on the theoretical framework in chapter two and the empirical findings from chapter four. The analysis precedes the answers from our thesis.

5.1 The effects of Management Control Systems in Apoteket AB

According to the study described in chapter two, the management control systems changes when a company is exposed to competition. A monopoly exposed to free competition may work to control and reduce their costs but get less market shares. When Apoteket lost its monopoly, due to the re-regulation, the competition changed their management control systems. In this part of the analysis, the effects of the management control systems in Apoteket will be further reviewed.

5.1.1 Result Controls

5.1.1.1 Goals and Vision

Before the re-regulation, the goals in Apoteket were based on the four perspectives of the balanced scorecard. Today, the company's overall goal is to be the leading and most profitable pharmacy operator in Sweden and a participant on the European health market. The balanced scorecard is supposed to work closely with an organization's strategies and the starting point is the goals, the vision and the business strategy of the organization. Because of the change in Apoteket's goals, the future of the balanced scorecard is doubtful. Apoteket has instead identified six strategic focus areas, which Apoteket's goals are based on. The areas are: best customer offer, new markets, business collaboration and offers, sustainable development, attractive employer, effective purchasing and supply of goods and efficient processes. As seen, these focus areas are more specific and detailed than the four perspectives of the balanced scorecard.

As said in the theoretical framework; the more competitive environment a company faces, the more it has to control cost, marketing, finance and evaluate the production. In the future, Apoteket may have more control of costs, marketing, finance and evaluating the production due to the new business plan. When a company faces competition, the management control systems benefits outweigh the costs for the systems. An elaborate control system can produce net benefits for a company which is not facing competition but a sophisticated system can instead do more harm than good. Apoteket had, before the re-regulation, management control systems with strategies and goals based on the four perspectives of the balanced scorecard; this because they did not need a sophisticated control system due to the monopoly market. When they now faces competition, a sophisticated control system, just as Khandwalladescribed in his study, is needed to a larger extent, thus a new business plan is made.

5.1.1.2 Financial and Non-financial Targets

The financial targets in Apoteket are: return on equity (ROE), equity ratio and dividend and has been the same since before the re-regulation. They have also changed since the re-regulation, all targets have increased. The demands on achieving the return on equity has increased and Johansson believes this is due to the increased competition on the pharmacy market. The non-financial goals in Apoteket have changed in terms of harder demands on good customer service and sales per customer. On a competitive market, the importance of good customer service increases, Apoteket now has to compete with other pharmacies to keep their customers; this can be an explanation to why the demands are harder. The customer flow has in some pharmacies decreased and in others the customer flow has been unchanged. This probably depends on the location of the pharmacy and as said in the empirical findings; Apoteket Tummlaren, which lies in a suburb, has noticed lower customer flow since the re-regulation.

5.1.1.3 Incentive System

As said in chapter two, goals are often linked to incentive contracts and therefore affect the employee's motivation. The goal issue is how challenging they must be and at which level the targets provide the best motivation for the employees. In Apoteket, employees and managers can achieve an incentive of 5000 SEK. The incentive system was introduced before the re-regulation but as Nielsen said, it was due to the knowledge of a coming re-regulation. Larsén explained that all parameters and objectives must be achieved and 80 percent of the mystery shoppers must be satisfied. These requirements are, according to her, almost impossible and because of this; the employees' motivation can be affected. To avoid this, employees can be involved in the procedure and get the chance to influence the goals. When they are involved in the procedure, they become more committed to accomplish the goals. The incentive system is not planned to change yet, but in the future it can be important to consider the employees' influence to affect the goals in Apoteket.

5.1.1.4 Planning and Budgeting

Planning and budgeting is used in a company to clarify what it desires to achieve in terms of goals and it also clarifies the strategies used to get there. The budgetary process has not changed in Apoteket since the re-regulation, but according to Johansson, the demands of reaching the budgetary targets have increased.

Strategies have a near relation to budgeting and the new business plan may therefore affect the budget. This depends on the formation of the new business plan but due to the free competition, an improvement of the budget may be necessary. As said in chapter two, the core within planning and budgeting is to make plans, to coordinate, to facilitate management oversight and to motivate the employees. As Khandwalla says in his article: "*We have seen that there is a positive association between competition and the use of sophisticated management controls.*" The budget within Apoteket is, according to Larsén encouraging but the budget is also very individual in each pharmacy. Apoteket may need to look over the budget and see if it matches the core within planning and budgeting; this to take a step further towards a sophisticated management control systems.

5.1.1.5 Balanced Scorecard

The greater the competition is, the more control to implement the strategies are required. From being focused on the mission to answer for a secure and safe medical supply throughout Sweden, Apoteket has changed its focus to new missions, which are: to prove ApoDos on equal and non-discriminatory conditions, transfer system and register relating e-dose to Apotekens Service and provide an interim solution regarding system support for the Öppenvårdsapotek. To fulfill these new missions Apoteket must change their strategies. A new business plan is in progress due to the new market condition; this so they can compete with the other pharmacies on the market. Before the re-regulation, the strategies were built on the four perspectives of the balanced scorecard. The balanced scorecard is, as said in the empirical findings, no longer a requirement in Apoteket and because of the new business plan, it may disappear completely. Today, many pharmacies use the balanced scorecard because of the convenience; it has been used in the organization for a long time and due to the unfinished business plan, it is not necessary to change yet. One of the perspectives in the balanced scorecard is the customer perspective. It focuses on the customers' opinion of the organization and give further details what the organization offers. The perspective also clarifies how the organization shall differ from the competitors and how it will gain new customers. Because of the new market condition with free competition, it is important to focus on keeping the customers. The customer perspective is therefore relevant in the strategies in Apoteket and according to Larsén; Apoteket has focused more on this perspective after the re-regulation. Because of this, Apoteket is probably going to keep the main focus on customers in the new business plan, even if the balanced scorecard is removed.

5.1.2 Action Controls

5.1.2.1 Routines

As described in chapter two; one of the management control system's purposes is to secure and generate good information about operations that facilitates management actions. This can be facilitated by using action controls. Chapter two further describes that action controls is a way to ensure that employees perform acts in the organizations best interest. Apoteket uses action controls in terms of routines, and has always had many routines within the organization. The re-regulation has made the routines more market-oriented and only routines that are needed are developed, as Nielsen said. Hallåker also said that routines on a central level have increased since the re-regulation; this due to demands, such as the demand to have at least one a person with responsibility of medicine in every pharmacy. Routines in terms of saving files have decreased instead of saving the files, Apoteket buys storage services.

In chapter two, action controls is described as a direct form of management control systems and consists of four basic areas; behavioral constraints, pre-action reviews, action accountability and redundancy. Apoteket use behavioral constrains, pre-action reviews and action accountability. Redundancy, which means that a company can have access to back-up employees, is not being used. This can be described due that it is relatively expensive.

5.1.3 Personnel and Cultural Control

In chapter two a description of personnel controls were made. Personnel controls help ensure the employees to understand the organizations requirements of them and also that they have

all the resources and capabilities to do a good job. Personnel controls also involve the employee's propensities to motivate and control themselves. In Apoteket, the store managers work with the daily activities in the business which can help the employees understand the requirements better by having a close relation to each other. The employees can be more motivated when the store manager is doing the same work as they are and the communication also improves between them.

Cultural controls are a way to encourage and motivate employees through an organization's norms, values and through group pressure. The culture is for example built on norms, traditions, values, ideologies and beliefs. Apoteket has traditions such as Christmas presents but the traditions in each pharmacy differ depending on the pharmacy. Every pharmacy has its culture which has existed for many years and cultural control is often built up through traditions. After the re-regulation, Apoteket has been more efficient and economical which can lead to a decrease in traditions. As said in chapter two, operating and management control systems is expensive because trained personnel are required and since less tangible cost always occurs. Money-savings can therefore affect the personnel and cultural controls. In order to avoid less motivated employees it is important to not forget the personnel and cultural controls and focus on the employees comfort in the company. The employees in Apoteket have received better benefits; today they have discounts on non-prescription products and they have also received an increased Friskvårdspeng. It is beneficial for Apoteket to understand the importance of personnel and cultural controls and pleased employees.

5.2 Change in Management Control Systems in Apoteket AB

According to Van De Ven and Poole, there are four types of change theories; the life-cycle theory, the teleological theory, the dialectical theory and the evolutionary theory. Apoteket has faced changes due to the re-regulation and the theory which describes Apoteket's situation best is the teleological theory. Since the re-regulation, Apoteket has a gap between its desired and actual state. Today, Apoteket's desired state is to become a strong competitor on the pharmacy market but the actual state is not there yet. To become a strong competitor on the pharmacy market, measurements as a new business plan and new strategic focus areas has been introduced; this to decrease the gap within the organization.

In order to survive on the new market, Apoteket must engage in the process called organizational learning. In the theoretical framework, Kloot describes this as a process in which the organization adapts or generative to fit the changed environment. Apoteket has made changes such as create new strategic focus areas and by making a new business plan but they may need to change their management controls systems further. Only the future can tell if this will be necessary, it depends on how the competitors adapts to the market; if they only do small changes it may be needles for Apoteket to spend resources and money to do changes. As Kloot said in the theoretical framework, it is important to broader the views of management control systems and not limit them with traditionally budgets and accounting systems. Therefore, it is essential that Apoteket look over their budgets and accounting systems; they must keep track on other pharmacies and adapt to changes that may be necessary in order to grow and adapt to the market. Kloot stresses that the employees must collect new knowledge to change their actions. Apoteket must focus on their employees and

help them collect new knowledge about the re-regulation. Competition with other pharmacies is a new situation for everyone and it is important that the employees understand this and help Apoteket become a strong competitor. Kloot also present two types of organizational learning; single loop learning and double loop learning. Since the strategies and structures in Apoteket is about to change, they are not using single loop learning. Kloot claims that double loop learning is required if an organization wants to survive in a dynamic environment. After the re-regulation, the environment on the pharmacy market has change and the largest change is the situation in which Apoteket must compete with other pharmacies. Kloot explains that double loop learning requires a specific existence of management control systems and the organization must use a freely appropriate accounting system. The system must contain information about revenues and cost and information about the external environment and estimations about the future. In order to use double loop learning, Apoteket must look over its accounting system and check if it is appropriate. Does it contain the information that is needed? If not, Apoteket must change their accounting system.

According to Kloot, effective management control systems must include both financial and non-financial measurements. Apoteket has both financial and non-financial measurements such as the required return on equity and equity ratio. The strategic planning is also said to focus more on the employees and hopefully this will happen in the new business plan which is in progress. During the interviews, the store managers described that the focus on the customers was large but Apoteket must also start focusing on their employees. They are a great source to the organization and in change processes, confusions may occur, Apoteket must help their employees to understand the new changes, to minimize the confusion.

According to Chenhall and Euske, the management control systems help to change the strategic focus in an organization. Paul among others also stresses that management control systems both shapes and is shaped by strategies. Therefore it can be concluded that there is a relation between strategies and management control systems. Apoteket is in progress to do changes in their strategies which is a step towards a different management control system in the organization. Burns and Scapens also claim that changes in management control systems often involve changes in the organization's routines. This has not happened in Apoteket; in the empirical findings it is described that the routines within the organization has stayed the same. The only difference is less paper work. However, Burns and Scapens also stresses that the change process is influenced by existing routines. In Apoteket there are routines as behavioral constrains and pre-action reviews. If Apoteket has a strict policy to have locks on the computer and the change process involves new computers, there is a large chance that the new computers also have locks. They also claim that it is easier to introduce changes if the changes not challenge the existing routines. If the changes may change the routines in Apoteket, the employees can be confused. Routines that have been in the organization for a long time are also hard to change, eventually, these routines become a habit and this habit can be difficult to break and therefore affect the change process negatively. In the theoretical framework, three parts of resistance are described: formal and open resistance due to competing interest, resistance due to lack of knowledge and experience to face changes and

resistance due to mental allegiance. Resistance has not occurred in Apoteket yet but it may be important for them to consider this possibility in the future; this to be prepared for resistance.

Management control systems can, according to Burns and Scapens, change in two ways; informal and formal. Apoteket has faced formal change on their routines in forms of new rules such as the rule in which Läkemedelsverket controls the supervision of the routines more distinct. Läkemedelsverket also have demands such as the requirement that a person with the responsibility of medicine must be in every pharmacy and it also accept the interior design in each pharmacy. Informal change happens ongoing in the organization and has done for years. As Nielsen said in the empirical findings; Apoteket has always had many routines and new routines are constantly developed.

Burns and Scapens says in their study that management control systems is likely to change top-down and have it first impact on the organization's formal rules and then only have an indirect impact on informal processes. Burns and Scapens further say, that if the changes are bottom-up, they are likely to have a tacit impact a shape both formal and informal management control systems. Apoteket have a top-down change and it is proved by change in the formal rules.

Hedberg and Jönsson describes that information systems which enable organizations to stay alert and to identify conflict, changes and detect problems are required in a changing environment. According to their study, Apoteket must introduce such information system. They also claim that the more resources and experience that has been given into action programs, the harder it is to replace old behaviors with new actions and routines. They further explain that information system have high efficiency but low flexibility. A new action program is in progress in Apoteket due to the new business plan. Apoteket must take into account that the old action programs may lead to a resistance in changing the behaviors in Apoteket. Because of the low flexibility, Apoteket must consider this in the making of the new action program so that there is no unnecessary use of recourses in the process. If the employees do not change their behaviors, the new action program is useless; therefore it is important that Apoteket take the employees into account. Hedberg and Jönsson also stresses that flexible information systems are required because the environment often changes. Apoteket is in a time of large changes and therefore, it is important that they have well functioned information systems and that they are flexible. As said in the theoretical framework; when the organization has analyzed the changed environment, new actions such as routines and strategies are developed. Apoteket has done changes in their strategies due to the new focus areas described in the empirical findings but changes in routines have been lesser. This can be due to the difficulty to change the employees' behaviors but it probably will change in the future, when there is a renewal of the employees. After the organization has changed their action and strategies, Hedberg and Jönsson stresses that the organization is forced to change their model of the world and the way of collection information. They further claim that this period often is filled with confusion since the goals of the organization are threatened; a changed environment requires a changed information system.

6. Conclusion

Chapter six is divided in three parts. The first part answers the questions addressed in the problem statement. The second part concludes reflections by the authors regarding the questions. The last part gives suggestions to further research in this field.

6.1 Conclusions

The purpose with this thesis was to collect and analyse how the re-regulation of the pharmacy market in July 2009 has affected the management control systems within Apoteket and due to our first question, we draw the following conclusions:

How have Apoteket's management control systems been affected by the re-regulation in July 2009?

The management control systems in Apoteket have been affected mainly by the free competition on the pharmacy market. As mention in this thesis, the management control systems changes when a company is exposed for competition. A new business plan that is going to change the strategies in Apoteket is in progress; this to strengthen their position on the market. As a result of this, Apoteket's use of the balanced scorecard may end. The new market condition has also made Apoteket focus more on the customers in their strategies.

The goals and visions were, like the strategies, based on the four perspectives of the balanced scorecard. They have also changed due to the re-regulation and are today based on six strategic focus areas, which are more detailed than the four perspectives.

The financial targets have increased since the re-regulation. The return on equity has increased with 12, 8 percent, the equity ratio has increased with approximately five percent and the dividend has increased from one third to half of net income. The non-financial targets have harder demands on good customer service and sales per customer, since the re-regulation. The customer flow has decreased in some pharmacies and stayed the same in others.

The incentive system in Apoteket has not changed since the re-regulation but was introduced only because of knowledge of the upcoming re-regulated market. Therefore, the incentive system is a result of the re-regulated pharmacy market.

The budgetary process has not changed, only the demands on achieving the budgetary targets have increased. An improvement of the budget may be important to Apoteket due to the new business plan. The strategies have a near relation to budgeting and if Apoteket changes the strategies, a change in the budget may be necessary too.

The routines in Apoteket have, turned more market-oriented due to the re-regulation. On a central level in the organization, the implementation of routines has increased but the routines

in terms of saving files in each pharmacy have decreased, this is now made by a storage service.

The traditions within Apoteket has always differed in each pharmacy and after the re-regulation, they have been affected by money saving. Apoteket has become more efficient and economical. The benefits, for employees, have increased and they get discounts on non prescription drugs and an increased Friskvårdspeng.

In the theoretical framework, several studies about how and why management control systems change are described. Apoteket has not made any huge changes in their management control systems yet. The new business plan is not done and as described in the empirical findings, the daily work has not change in a large extent. Changes in the management control systems will probably occur when the market adjust to the re-regulation. Apoteket is in process of making changes and the new business plan is one of the first steps towards a new management control system in Apoteket.

6.2 The Authors' Reflection

During the gathering of data to our study and during the analysis, we have considered some issues that arose.

In the analysis we discussed the doubtful future of the balanced scorecard. We believe that it is going to be removed due to the new business plan. Apoteket is also competing on a market with free competition and we believe that the balanced scorecard is insufficient. The business plan is also going to make the management control systems in Apoteket more sophisticated and we can already see a beginning in this process due to the new goals which are based on six strategic focus areas. Apoteket must adapt to the competitors and customers to survive in the market with harder competition.

Even though the external environment has change due to the re-regulation, there have been little internal changes in Apoteket. We draw the conclusion that even if there are big changes externally it does not mean that it is necessary to change internally. Sometimes it may be easier to remain partly unchanged, especially if the new competitors have a relatively unchanged management control system. However, we believe that Apoteket is going to change but that this process is going to take time.

6.3 Further Research

We have identified several interesting fields, in the progress of making this thesis. Because of the time limits, we have not been able to examine everything we have found interesting. Therefore, we would like to give suggestions for further research:

- ▶ Because of the unfinished business plan, the effects of it are still unsure. In the future we suggest further research of the business plan to examine the effects it has had on the management control systems in Apoteket.
- ▶ Investigate further about the customer service and customer flow in Apoteket from a customer perspective. What makes the customers' choose Apoteket over other pharmacies and what do they think about the customer service in Apoteket. For this research, customer surveys can be used to get the information.
- ▶ A research about changes in management control systems within Apoteket including pharmacies over all Sweden. This to obtain more exact facts about the changes.

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8. Appendix

Chapter eight includes the interview guides used in this thesis translated to English.

8.1 Interview Guides

Telephone interview with Jan Johansson

CFO Apoteket AB

Tuesday 19th April 09:00 p.m.

1. What does the organization structure look like?
2. How have Apoteket AB met the re-regulation?
3. Is Apoteket AB a non-profit organization or a for profit organization?
4. Apoteket AB is a state owned company, how does the owner's directive look like?
 - i. Has it been any changes in the directive?
5. Before the re-regulation, Apoteket AB had a business agreement with Tamro and KD. Has the agreement changed after the re-regulation?
 - i. Has the prices changed?
6. The number of competitors has increased since the re-regulation. How does this affect Apoteket AB?
7. Do you have a SWOT-analysis?
 - i. How does Apoteket AB, after the re-regulation, see strengths, weaknesses, opportunities and threats?
8. Does Apoteket AB use Balanced Scorecard?
9. Does the government set the budget or does Apoteket AB do it?
10. Do you feel that the organization is hierarchical or horizontal?
 - i. How does the communication flow in the organization?

Responsibility centers

11. How does Apoteket AB distribute the responsibility? (profit-, cost- revenue- and investment centers)
12. What are the responsibilities?
 - i. Have there been any changes since the re-regulation?

Results controls

13. Does the government set the profitability targets?
 - i. Are they realistic?
 - ii. Are the goals difficult or easy to reach?
14. Have the targets change since the re-regulation?
15. How is the incentive system built?
 - i. Before the re-regulation?
 - ii. After the re-regulation?
 - iii. How do the salary negotiations look like?

16. Does Apoteket AB have dividends?

17. How do the strategies in Apoteket look like?

- i. Have these changed? Before the re-regulation the four perspectives of Balanced Scorecard was used. This has changed, why?

Action controls

18. Does Apoteket AB have any routines?

- i. Have these changed?

Interview with Britt – Marie Larsén

Store manager at Apoteket Svanen

Tuesday 3d may 09:00 a.m.

1. Describe your work at Apoteket AB.

Apoteket AB has experienced a huge change due to the re-regulation in July 2009. How has Apoteket met this re-regulation?

Action controls

2. How do the routines in Apoteket AB look like?
3. Has Apoteket AB got any clearer routines since the re-regulation?
 - i. Have they hampered the daily work? Have it been more or less to do?
4. Have the opening hours changed since the re-regulation?
5. Has the prices on prescription and nonprescription drugs changed?

Results controls

6. How do the targets in Apoteket AB look like?
 - i. Has the targets changed since the re-regulation?
 - ii. If they did, have they been difficult or easy to reach?
7. How do the strategies in Apoteket AB look like?
 - i. Has the strategies changed since the re-regulation?
8. Does Apoteket AB use Balanced Scorecard?
 - i. If you do, has it changed since the re-regulation?
9. Does Apoteket AB have any incentive system?
 - i. Do you know it there is plans to develop the system?
10. Does Apoteket AB have a SWOT-analysis?
 - i. How does Apoteket AB, after the re-regulation, see strengths, weaknesses, opportunities and threats?
11. Before the re-regulation, Apoteket AB had a business agreement with Tamro and KD, have these agreements changed?
12. Does Apoteket AB measure customer satisfaction?
13. Does Apoteket AB measure customer flow?
14. Does Apoteket AB measure sales per employee?

Personnel/Cultural controls

15. How is the atmosphere in Apoteket AB today? How was it during the re-regulation?
 - i. Was there any worries? Fears? Expectations?
16. How do the employees in Apoteket AB feel about former colleagues? Does Apoteket AB see the other pharmacies as obvious competitors?
17. Have there been any clear traditions in Apoteket AB?

Interview with Ellinor Nielsen

Store manager at Apoteket Korpen

Tuesday 17th May 09:00 a.m.

1. Describe your work at Apoteket AB.

Apoteket AB has experienced a huge change due to the re-regulation in July 2009. How has Apoteket met this re-regulation?

Action controls

2. How do the routines in Apoteket AB look like?
3. Has Apoteket AB got any clearer routines since the re-regulation?
 - i. Have they hampered the daily work? Have it been more or less to do?
4. Have the opening hours changed since the re-regulation?
5. Has the prices on prescription and nonprescription drugs changed?

Results controls

6. How do the targets in Apoteket AB look like?
 - i. Has the targets changed since the re-regulation?
 - ii. If they did, have they been difficult or easy to reach?
7. How do the strategies in Apoteket AB look like?
 - i. Has the strategies changed since the re-regulation?
8. Does Apoteket AB use Balanced Scorecard?
 - i. If you do, has it changed since the re-regulation?
9. Does Apoteket AB have any incentive system?
 - i. Do you know it there is plans to develop the system?
10. Does Apoteket AB have a SWOT-analysis?
 - i. How does Apoteket AB, after the re-regulation, see strengths, weaknesses, opportunities and threats?
11. Before the re-regulation, Apoteket AB had a business agreement with Tamro and KD, have these agreements changed?
12. Does Apoteket AB measure customer satisfaction?
13. Does Apoteket AB measure customer flow?
14. Does Apoteket AB measure sales per employee?

Personnel/Cultural controls

15. How is the atmosphere in Apoteket AB today? How was it during the re-regulation?
 - i. Was there any worries? Fears? Expectations?
16. How do the employees in Apoteket AB feel about former colleagues? Does Apoteket AB see the other pharmacies as obvious competitors?
17. Have there been any clear traditions in Apoteket AB?

Interview with Kristina Astbro

Store manager at Apoteket Tumlaren

Tuesday 17th May 11:00 a.m.

1. Describe your work at Apoteket AB.

Apoteket AB has experienced a huge change due to the re-regulation in July 2009. How has Apoteket met this re-regulation?

Action controls

2. How do the routines in Apoteket AB look like?
3. Has Apoteket AB got any clearer routines since the re-regulation?
 - i. Have they hampered the daily work? Have it been more or less to do?
4. Have the opening hours changed since the re-regulation?
5. Has the prices on prescription and nonprescription drugs changed?

Results controls

6. How do the targets in Apoteket AB look like?
 - i. Has the targets changed since the re-regulation?
 - ii. If they did, have they been difficult or easy to reach?
7. How do the strategies in Apoteket AB look like?
 - i. Has the strategies changed since the re-regulation?
8. Does Apoteket AB use Balanced Scorecard?
 - i. If you do, has it changed since the re-regulation?
9. Does Apoteket AB have any incentive system?
 - i. Do you know it there is plans to develop the system?
10. Does Apoteket AB have a SWOT-analysis?
 - i. How does Apoteket AB, after the re-regulation, see strengths, weaknesses, opportunities and threats?
11. Before the re-regulation, Apoteket AB had a business agreement with Tamro and KD, have these agreements changed?
12. Does Apoteket AB measure customer satisfaction?
13. Does Apoteket AB measure customer flow?
14. Does Apoteket AB measure sales per employee?

Personnel/Cultural controls

15. How is the atmosphere in Apoteket Svanen today? How was it during the re-regulation?
 - i. Was there any worries? Fears? Expectations?
16. How do the employees in Apoteket AB feel about former colleagues? Does Apoteket AB see the other pharmacies as obvious competitors?
17. Have there been any clear traditions in Apoteket AB?

Telephone interview with Ninna Andermo Hallåker

The operation manager over the south region in Sweden

Wednesday 18th May 15:30 p.m.

1. Describe your work at Apoteket AB.

Apoteket AB has experienced a huge change due to the re-regulation in July 2009. How has Apoteket met this re-regulation?

Action controls

2. How do the routines in Apoteket AB look like?
3. Has Apoteket AB got any clearer routines since the re-regulation?
 - i. Have they hampered the daily work? Have it been more or less to do?
4. Have the opening hours changed since the re-regulation?
5. Has the prices on prescription and nonprescription drugs changed?

Results controls

6. How do the targets in Apoteket AB look like?
 - i. Has the targets changed since the re-regulation?
 - ii. If they did, have they been difficult or easy to reach?
7. How do the strategies in Apoteket AB look like?
 - iii. Has the strategies changed since the re-regulation?
8. Does Apoteket AB use Balanced Scorecard?
 - iv. If you do, has it changed since the re-regulation?
9. Does Apoteket AB have any incentive system?
 - i. Do you know it there is plans to develop the system?
10. Does Apoteket AB have a SWOT-analysis?
 - i. How does Apoteket AB, after the re-regulation, see strengths, weaknesses, opportunities and threats?
11. Before the re-regulation, Apoteket AB had a business agreement with Tamro and KD, have these agreements changed?
12. Does Apoteket AB measure customer satisfaction?
 - i. How?
13. Does Apoteket AB measure customer flow?
 - i. How?

Personnel/Cultural controls

14. How is the atmosphere in Apoteket AB today? How was it during the re-regulation?
 - i. Was there any worries? Fears? Expectations?
15. How do the employees in Apoteket AB feel about former colleagues? Does Apoteket AB see the other pharmacies as obvious competitors?
16. Have there been any clear traditions in Apoteket AB?

