



UNIVERSITY OF GOTHENBURG  
SCHOOL OF BUSINESS, ECONOMICS AND LAW

# **Management controls applied at an event company**

A study detailing the MCS at Luger



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Katherine Pauly & Jessica Kourieh

## Abstract

**Bachelors Thesis:** Management Accounting, University of Gothenburg School of business, economics, and law

**Title:** Management controls<sup>1</sup> applied at an event company: A study detailing the MCS<sup>2</sup> at Luger

**Authors:** Katherine Pauly and Jessica Kourieh

**Purpose:** The purpose of the study is to describe current management controls at an event company, representing an organization that provides experience-oriented services.

**Design/methodology:** The configuration of the study is centered on the management control model presented in the theoretical framework. The study is qualitative in nature and primarily based on interview feedback. The investigation is classified as descriptive though the lack of relevant literature found on the subject matter may also categorize the study as being exploratory.

**Findings:** The management controls used at an event organization is detailed in the study. The character of management controls used at the company is strongly linked to the experience offering that the event company provides. The types of controls used are generally more informal as to not stifle the creative and innovative environment at the company. However, certain formal management control metrics are used despite emphasis on informality at the company e.g. budgeting and deadlines.

**Key terms:** experience, co-creation, management controls, event, innovation

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<sup>1</sup>Swedish reader: take into consideration that the English term “control(s)” is not used as its Swedish homonym, but rather as the Swedish word “styrning”.

<sup>2</sup>MCS management control system

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# 1-Introduction

## 1.1 Background

*You're surrounded by a surge of moving bodies. The dim glow of violet lamps directs the attention of the mass like a moth to a flame. In the middle of an open natural amphitheater, breathes the chants of wild-eyed people who congregate around mammoth constructs in wait for something spectacular. Passing embraces, passing cups, passing words, small collections of individuals discuss the magnitude of the day's events. Suddenly, the sharp twang of a guitar, an indescribable electric boom and lights. The crowd bellows forward and screams are heard throughout. Colors fill up the construction and flashes of bright colored fabric fill the space. Then a voice is heard sharp and clear. The melodic poetic rants of a genius. Sunshine on your face, music in your ears, friend by your side, an experience you'll never forget.*

Source: Author's own formulation (Kate Pauly)

We are all familiar with the term event and have undoubtedly attended an event at some point in time. The exhilaration of participating in an event such as the one described above, a festival, may be acutely recognizable. The planned event industry has exploded in recent years and in particular the commercialization of festival events that has occurred makes event organizations an interesting subject of inquiry from an economic and business administrative perspective (Getz 2007; Andersson, Larson, & Mossberg 2009). The event sector is considered part of the experience service industry that contributes nearly 5% towards Sweden's NGP<sup>3</sup> (Algotson & Daal, 2007).

Those who have been exposed to event studies might be aware of the fact that interdisciplinary research associated with events initially gained recognition as an interesting field of study "in the 1970s" is and has been a popular research topic since the 1980's (Andersson, Larson, & Mossberg 2009). Seminal publications such as Donald Getz's *Festivals Special event and tourism* (1991) and M. Halls book *Hallmark Tourist Events* (1992), which both earned international acknowledgment within the academic field, have become cornerstone readings for event researchers that explored some of areas mentioned above (Andersson, Larson, & Mossberg 2009). However, most of the research that has been conducted in regards to events has been of a sociological and anthropological character (Andersson, Larson, & Mossberg 2009). In addition, there are little to no studies focusing on event organizations and management controls; research conducted concerning event organizations has focused primarily on marketing of events at such organizations (Edström et al. 2003). Literature covering elements of management control systems and events provides more prescriptive models for how one should manage an event and not how events are managed in a real setting (Berry et al. 2009). More qualitative studies are needed about event organizations' practices (Edström et al. 2003).

The need for studies on event organizations' management control systems is also propelled by the special character of these organizations. They have been described as pulsating organizational entities, because of the fact that many stakeholders participate in event formulation, there is uncertainty associated with costs and revenues within the branch, and as a project-oriented business, event formulation happens in temporarily set up organizational groups with temporary and often solidly defined goals (Andersson, Larson, & Mossberg 2009). The specific character of event organizations' processes as described above also make them interesting subjects of study regarding the management of their resources.

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<sup>3</sup> NGP: National gross product

In addition, the event industry's offering is one focused on creating an experience that is memorable and unique (Anderton 2011). According to studies conducted on the event's industry, experience creation is key to success within the industry and should be the focal point of event companies' economic offering and strategies (Morgan 2006; Andersson, Larson, & Mossberg 2009; Cole & Chancellor 2009). Compelling research suggests that experience-oriented strategies are becoming and, in the future, will be considered the next phase in the progression of economies, meaning that an evolution from commodity to goods to service and finally to experience industries is impending (Pine & Gilmore 1999). Shifts in economic offerings have already had an impact on the formulation of management control systems e.g. the shift from a primarily goods to service based economies brought with it transformations in the formulation of management controls. The introduction of innovations such as the balanced score card has had an impact on value creation and proved useful to service-based operations (Kullvén & Mattsson 1994; Kaplan & Johnson 1987; Skoog 2003).

If experience orientation is in fact a pending stage in economic development, detailing a company with such orientation might have an impact on understanding how controls are used at such companies and how controls fitted to other economic phases including service orientated event companies might need to be altered in the future, to some capacity at certain companies to fit into the new landscape.

Previous formation of prescriptive models for MCSs that were formulated as a result of new economic offerings have received much criticism (Ax, Johansson, & Kullvén 2009). According to Ax, Johansson & Kullvén (2009), there has been a gap between management control systems' theories and what is utilized in practice. They suggests that while there are a plethora of various complex MCS methods that have been written about proposing correct ways of operating , it is simpler MCS methods that are used in practice (p. 53). The gap in theory and practice can be explained according to the authors by several different postulations. One explanation suggests that it takes time for practices to catch up with theories; new proposed management controls are not directly implemented (Ax, Johansson, & Kullvén 2009). Another reason for the gap is that too few that formulate and use MCSs in practice have knowledge of what theories are in existence. One can also say that many theories do not proficiently explain phenomena that occur in a real environment and thus are ineffectual. Lastly, many theories tend to ignore the importance of reflecting upon what the costs and benefits of new methods are (Ax, Johansson, & Kullvén 2009). This reality also drives the need for qualitative descriptive studies about how MCS are implemented at companies.

Taking all this into consideration, a description of how an event company that is in the business of providing the aforementioned economic offering, experiences, and uses management controls might lead to a more complete understanding of the type of management controls that emerge in this environment and how these complex organizations manage resources.

## **1.2 Research questions**

What are the features of the MCS at an event organization, and how does it function?

What effect does the particular experience orientation of this kind of organization have on the design of its MCS?



## 1.3 Purpose

The primary intent of this study is to explore a particular event company's praxis in regards to management controls. The study's secondary purpose is to gather a better understanding of the face of management controls in the event industry and at a company that provides an experience-oriented service. The study more specifically highlights the existence of a link between the management controls implemented at the company studied and its experience orientation.

## 1.4 Subject of study

The business selected for the study, Luger, is a Swedish event company responsible for organizing concert events and festivals as well as booking artists. They arrange events with both Swedish and international artists in Scandinavia. The study details the management control system of the company and focuses on management controls for a particular event that the company organizes, Way out West. The company is described in further detail below followed by a short description of the company's owners (see. 4.1).

## 1.5 Contribution of study

As has already been discussed, literature about management control systems specific to the events industry is fragmented. This has led to the lack of a holistic understanding of how event organizations manage resources and organize in a real setting. The study will supplement the event management literature and broaden understanding about how event industry players organize.

It is identified in the study that event organizations such as the one researched in the study provide experience-oriented services. It has also been suggested that not much research has been conducted regarding controls and experience-oriented services. Experience economy literature, in general is sparse (Skoog 2003; Morgan 2006). Illustrating how an experience-oriented service company controls resources is another of the intended contributions of this study.

In summation, this study contributes to existing literature on event organizations providing an example on how an event company formulates its MCS when the center of attention of the organization is on creating an unforgettable experience.

## 1.6 Thesis outline

**Chapter 2:** The methods for executing this case study are presented in this chapter complemented by an interwoven argument of the concepts of validity and reliability. Chapter 2 concludes with a discussion about literature followed by literature source criticism.

**Chapter 3:** The theoretical framework related to management control system, events, and experience are presented.

**Chapter 4:** All the empirical data collected are presented in this chapter

**Chapter 5:** The findings are set against chosen theoretical framework, which are analyzed.

**Chapter 6:** The reader has reached the end of this thesis. A conclusion followed by recommendations of future research is given.

## 2-Methodology

### 2.1 Descriptive case study

The phenomena explained in the empirical data have the purpose of describing the special character of management controls at the event company Luger. The company and the festival Way Out West are the objects of study on which a case study<sup>4</sup> is based. In that there is an apparent lack of quantitative material or research about event companies' management controls or management controls at companies that supply an experience offering, no viable conclusions or observations could be made in this case using a quantitative method (Patton 1990). The choice of using a qualitative method for inquiry seemed to be the most doable as one can formulate a picture of how organizations devise management control systems based primarily on in-depth interviews and not based upon previously amassed information. Management controls are the unit of analysis that has been set in this particular case study i.e. the phenomena which is to be examined (Miles & Huberman 1994). A case study is often used when one wishes to answer how or why questions, when a context and phenomena are interlinked and one wishes to cover contextual conditions relevant to phenomena (Yin 2003). Although there are several types of case studies that can be explanatory, collective, or descriptive in character, the case study presented is descriptive meaning it describes phenomena in a real life setting, in practice (Yin 2003). In addition, the study focuses on an organizational context to aid in explaining the unit of analysis. This case study utilizes a proposition which in the case of our study is, event companies have an experience orientation that plays into the formulation of its management control systems. The purpose of a proposition is to focus the scope, direction, and conceptual structure of a particular case (Miles & Huberman 1994; Stake 1995).

### 2.2 Respondent selection

In order to find a suitable candidate for research, a search was conducted to find event organizations that were co-located in Sweden. Familiarity with certain events in Sweden including the festival Way Out West guided the study towards the event company Luger as the organizer of the event mentioned, a well-known event coordinator in Sweden, and subsidiary of the largest event corporation Live Nation<sup>5</sup>. Interviewee selection was facilitated through email contact with Luger. A guide to the case study and subject description was submitted to Luger. Niklas Tengvall, a controller at Luger, was selected as a respondent. He was chosen as a potential interviewee through the Luger website because of his position at the company, which exposes him to knowledge and experience about formal and informal management control systems. On Tengvall's request, a description of the research subject and a loose interview guide consisting of areas of inquiry regarding management controls was sent. An interview was confirmed with Niklas Tengvall and an unnamed member of the event project group "festival management<sup>6</sup>." Interviewing a member of an event project group

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<sup>4</sup> The ascription *case study* signifies the investigation of a smaller group. A case can be based on an individual, organization, or situation (Patel & Davidson 2002).

<sup>5</sup>livenation.com

<sup>6</sup>Festival management: a group formed that heads up details regarding large events which are, in the case of Luger, festivals.

proved important for our study because Luger is a project organization whose operational focus lies in managing event projects. Niklas Lundell, group member, was confirmed as a secondary interviewee.

Luger's parent company was contacted during the initial stages of the research process. The input of Live Nation, acting as an owner, and stockholder was pursued in the early stages of research as intended to focus of the essay was initially centered on controls across all organizational levels. However, no direct feedback was received from Luger's parent company. Several other external parties that collaborate with Luger on event organization were also contacted. Although the focus of the study has been on how controls are used within the company, contacting one or more stakeholders and inquiring about the affect of controls on them was viewed by the authors to add an interesting layer and depth to the study because of the heavy reliance event companies have on external stakeholders when planning and executing events. To gain insight into external stakeholder perspective, Park and Recreation, as one of many of Luger's stakeholders, was contacted. However, besides the feedback received in the pilot study subsequently discussed, a response was received only by one organization that collaborates with Luger, Park and Recreation, who was then chosen as a sample stakeholder to provide insight into how Luger's controls affect external parties involved in event organization. Their association with Luger entails the renting out of the locale, Slottskogen, where the festival event Way Out West takes place. A subject description was sent to Park and Recreation and our interview inquiry was directed to Kristina Edfeldt, who heads up coordination with Luger. Edfeldt was also sent a general interview guide covering the nature of the study's inquiry. Edfeldt also had insight into Luger's collaboration with Gothenburg & Co. which provided extra information about collaboration between Luger and stakeholders. To gain further understanding of how controls at Luger affect parties and guide the controls utilized at the company, temporary volunteer employees and event visitors were conferred with. Confering with volunteers would add another dimension to the study when answering the thesis question, how does the management control system function?

A pilot study was formulated inquiring about volunteer and visitor experience and management controls. To increase the reliability of what was said in the interviews with members of the organization regarding how controls affect temporary volunteer employees; volunteers were asked questions in the pilot study about their experiences working at Luger. A section on festivalgoer experience was intended to be used as a guide for formulating a company cost-structure model based on customer experience classifications. However, the information gathered in the study was not enough, on which to base a reformulation of how costs at the event company studied are classified.

The authors are aware of the fact that the selection of respondents has had a bearing on the empirical results. The specific external parties chosen have particular relationships and types of collaboration with the event company. Thus, the field material gathered in consultation with those parties has inevitably colored the results.

Name	Position	Company	Interview dates
Niklas Tengvall	Controller	Luger	2011-12-01
Niklas Lundell	Festival management	Luger	2011-12-21
Kristina Edfeldt	Event Supervisor	Park and recreation and Gothenburg&Co.	2011-11-29

Table 1: Interview respondents

## 2.3 Empirical data collection

Empirical data for this study, primarily collected through interviews, has been complemented with information provided by a collaborating stakeholder working in conjunction with the event company. Other material such as annual reports and the company's budget template, received via email from the respondents interviewed at the company, contribute to the empirical input presented. In addition, the company's website was used as an empirical source.

The interviews mentioned above, three in total, were conducted both in a face-to-face setting, Tengvall and Edfeldt, as well as via telephone, as was the case with the Lundell interview. The collocated interviews were held in the respective interviewees' offices. The interviews were semi-structured in form which means that prior to each interview; an interview guide was created but not strictly followed. In a half-structured interview environment, results are not as affected by the researcher's subjectivity because open-ended questions are posed. Informants are able to explain phenomena, their environment, and their reality. The limitation of researcher participation in guiding respondents' answers lifts the validity of the results (Merriam 1988). The interview guides<sup>7</sup> were based on the study's theoretical framework. By using other sources to form a template for the interview guide the validity of the study is further ensured. Drawing from other sources on a subject to conduct a study, aids in guaranteeing validity (Merriam 1988). The interview guides were used to cover all areas of interest for the study, but space was also allowed for follow up questions.

However, the interview not executed in an in person environment, was conducted via telephone because the respondent was unable to make it to an appointed time. The reliability may suffer in this case as not all communicative cues were able to be observed i.e. body language and facial expressions could not be detected (Patel & Davidson 2002). The telephone interview was not recorded because of technical difficulties; it was transcribed directly. Therefore, recreating an account of the interview was more difficult post interview as the transcribed material was more hastily written down. The potential for missing interview details is increased and thus, reliability suffered (Patel & Davidson 2002).

All face-to-face interviews were audio-recorded and later transcribed. This process which includes documenting the empirics in multiple ways, enhanced reliability because recording the interviews minimized the risk for misinterpretation and transcribing the interviews allowed us to check facts with the respondents (Patel & Davidson 2002). Both thesis students

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<sup>7</sup> See appendix 2

were present during all interviews where both had responsibility over administrating the actual interviews, though one individual was responsibility over the recordings and writing down notes. This interview method guarantees that reliability is heightened because one is better able to observe and interpret respondent feedback (Patel & Davidson 2002).

The pilot study was published on Google documents and linked to Facebook. The study included a questionnaire about festivalgoer's experience. As mentioned earlier, volunteers were asked questions about their experience with the management controls at Luger. The questions were, like the interview guides for Luger employees, based on controls brought up in the theoretical framework. Fifteen responses were received in total, some surveys were partially completed. Not all the material collected is utilized in this study. Due to the partiality of the findings, as many answers were short and incomplete, the festivalgoer's section has been omitted.

Questions for the interviews and pilot study were first written in Swedish and later translated into English. In addition, they were conducted in Swedish and the responses from the pilot study were also in Swedish. After transcribing all the data collected in these cases in Swedish, the authors translated the complied information into English. The English language was chosen in writing the thesis because most of the literature that was utilized in the research was written in English and the concepts presented in the literature were found to be complex and thus more difficult to translate than the conversational material.

## **2.4 Discussion about the literature**

As there is an apparent lack of literature relating to event organizations and the experience industry and MCSs, a basic MCS framework is utilized. The authors have chosen to use the general MCS framework in order to not assume that the organization is predisposed to formulate its management controls after its identification as a project organization or otherwise. Management control categories as defined by Merchant & Van der Stede (2007), Ferreira & Otley (2009), and Ax, Johansson, & Kullvén (2009) are used as a framework for explicating what elements constitute the control framework at organizations. The empirical data is categorized into the themes explained in the theoretical framework. Because the majority of companies have some form of the elements mentioned in the theoretical framework, motivates why this model was utilized. Many MCS elements are covered in the essay in order to provide a more complete picture of how the MCS functions. The rudiments are then understood in terms of particularities regarding MCSs in the event branch.

The MCS model presented also acted as a point of departure for the formulation of interview questions and the organizational themes and concepts presented in the theoretical framework including co-creation, innovation, creativity, and experience orientation were defined in the framework after the qualitative research revealed that these concepts were important values at the organization. The management control framework is also utilized to categorize the empirical data collected in order to formulate how management controls are articulated at the company and what part experience orientation plays in the articulation of the controls.

### **2.4.1 Literature: source criticism**

In order to subvert fallibilism, fallacies, and ensure that academic research is valid, the legitimacy of sources must be tested. In doing so, one checks where and when sources have been published (Thorén 1997). Academic textbooks, scientific, peer-evaluated articles, and dissertations have been the primary literary sources used in this study. Many sources are cross-referenced and source citation reports were checked to improve the reliability, legitimacy, and validity of the source material. During the process of collecting literary sources, our thesis advisor and academics with particular expertise in the study of events were consulted. However, due to the lack of material pertaining to event companies/experience related industries and management controls the validity of the sources may be subject to scrutiny. Additionally, it should be noted, that several sources were written in the Swedish language.

## 3-Theoretical Framework

### 3.1 Events

According to Getz (1997), the event branch is one of the most exciting and fast growing. The spectacular growth of planned events has given way to new opportunities to extend in business, careers, and tourism (Getz 1997). Events have become important in attracting visitors to specific destinations i.e. cities and contribute to a city's social life, culture, economic health, and environment (Getz 1997; Andersson, Larson, & Mossberg 2009). There are many types of events, planned and unplanned, normally they have certain length and usually they are fixed and publicized (Getz 1997). The characteristics described here become important in describing how organizations, project organizations, plan events and operate (see. 3.3).

There are myriad definitions of events but they are all quite similar. Events can generally be defined as “occurrences happening at a determinable time and place, with or without the participation of human agents<sup>8</sup>.” However, events in this study are defined by human participation and intentionality. Therefore, we utilize a more specific definition as clarified by Andersson, Larson, & Mossberg (2009); events are activities taking place within a finite time frame. They have the primary purpose of conveying sensory impressions and components of events include a program, organizer, and participants (Andersson, Larson, & Mossberg 2009). Furthermore, Donald Getz explains that “events are transient and every event is a unique blending of its duration, setting, management, and people” (Getz 1997).

Due to the many types of events that subsist, Andersson, Larson, & Mossberg (2009) categorize public events to make it easier to separate different types of events. The separation is elucidated by four key concepts:

- *Time and space*: an event can be separated by the amount of days it lasts and if it is recurrent or not.
- *Program*: or an event's contents, often focus on people's interest such as music festivals or professions as is the case with trade fairs.
- *Arranger*: the organizational entity or person(s) that organize an event. In the context of organizations that arrange events, they can be non-profit, profit or public.
- *Spectators and participants*: how one participates in an event is based on the level of activeness in event activities e.g. sportsmen participate and match patrons are considered spectators. However, the line between spectator and participants is, at times, blurry when participants engage with spectators actively. (pp. 16-20)

Festival events are the type of event most often referred to in connection with the study object. They are the most common form of cultural celebration (Getz 1997). Some festivals have existed for eons and have become cultural tradition while others have only recently been created. Donald Getz (1997) uses a simple definition to describe festivals, “A festival is a public, themed celebration” (Getz 1997, p.8). A modern understanding of what the word festival implies might include celebrations that are commercial and part of pop culture (Getz 1997).

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<sup>8</sup> businessdictionary.com



## 3.2 Past research about events

The first articles produced focusing on event economics were generated in the 1970's and since then event research been limited (Andersson, Larson, & Mossberg 2009). There has however been a rapid proliferation of event studies in the scientific world that focus on aspects of events (Andersson, Larson, & Mossberg 2009). Nevertheless, the numbers of studies that have been done from a business administrative point of departure are few (Andersson, Larson, & Mossberg 2009).

Donald Getz, an earlier contributor to event studies, has written primarily about national and economic effects that events have on societies. The author also has contributed with prescriptive models for event management that focus on generalized strategic goals, controls, etc. Getz's research in *Event Management and Event Tourism* (1997) focuses on how events should be organized and mentions that type of controls are used for success in event management. Some of the research presented is based on field studies.

Getz (2007) postulates that every event should be seen as a business with the aim of making money, if it is viewed as one it should be controlled as one. This means according to Getz (1997) that the owners/producers have to follow sound management principles and be focused on the long-term vitality of events. Other research on events from a business administrative perspective includes a recent Tommy Andersson publication analyzing how street festivals are arranged, how they make money, and how public festivals have socio-economic effects on communities.

## 3.3 Project organization

Andersson, Larson, & Mossberg (2009) call event organizations project organizations and suggests that in order to understand how these organizations function one must consider that they work with time limitations, an assignment, work groups, and innovation. These organizations are in the business of managing projects. This has a bearing on the formation of their management control systems (Ax, Johansson, & Kullvén 2009). Projects can be defined as temporary organizations with predetermined goals, strict timeframes, organizations that must utilize shared resources (Ax, Johansson, & Kullvén 2009).

There are often clear phases in the life cycle of a project: During the initial phase concepts and ideas are formulated and an assessment is made regarding how many resources, financial and otherwise, must be allocated towards the completion of the project, if the resources required are available, and if the project will be profitable (Ax, Johansson, & Kullvén 2009). During this phase, the control measures that are often utilized are unrefined project calculations and investment calculations (Ax, Johansson, & Kullvén 2009).

During the planning phase of projects, as a rule, the members of a project organization are elected and responsibilities are divided among the participants (Ax, Johansson, & Kullvén 2009). According to Ax, Johansson, & Kullvén (2009), this setup has an effect on the general division of labor at project organizations as many employees tend to have shifting rolls at the organization. During the planning stage a detailed work method is often established, a time plan is created specifying deadlines, and a project plan is formulated that summarizes objectives, division of responsibilities, anticipated resource expenditure, and time frames in

the form of supporting documents such as budgets and project administrative routines (Samuelson 2004; Ax, Johansson, & Kullvén 2009).

The execution phase constitutes the production of results (Ax, Johansson, & Kullvén 2009). All previous planning culminates in a specific moment when a project is completed. Follow up measurement of performance is often based on performance during the execution phase (Ax, Johansson, & Kullvén 2009). During the final completion stage the project is evaluated and one identifies deviations from the plan (Ax, Johansson, & Kullvén 2009). During the planning, execution, and completion phases, project calculation, budgets, performance measurement, and internal accounting act as control measures to keep projects on course (Ax, Johansson, & Kullvén 2009). These are not unusual MCS measures to use however as Ax, Johansson, & Kullvén (2009) point out there are some idiosyncrasies in the use of these measures; complications arise in calculating during the various phases as a project is temporary and unique and thus one cannot refer to earlier measurements e.g. budget calculations that have been used in other projects. In addition, Ax, Johansson, & Kullvén (2009) postulate that projects generally have fewer key success factors than traditional operations i.e. time, cost, and quality. Lastly, division of responsibilities is in flux making it difficult to measure performance (Ax, Johansson, & Kullvén 2009).

### 3.4 Event stakeholders

To be able to organize an event, an arranger must cooperate with different companies and organizations, they can be public, non-public or non-profit (Andersson & Larsson-Mossberg 2009), which means according to Edström et al. (2009) that event arrangers are extremely network dependent. At the center of the figure 1 seen below, is the event's organizer, which consists of event management, owners, employees and volunteers, they have the responsibility of controlling, planning, executing and following up projects (Andersson, Larson, & Mossberg 2009)<sup>9</sup>.

**The owners** are individuals who have influence over developing events; they are usually not involved with the organization besides being involved in major strategic decisions. Although, some owners prefer to take on active participatory roles in event organizations' activities. However, it is highly unorthodox in the event industry that owners assume such an active role.

**Municipalities** play a vital part in allowing events to be organized. A municipal function could be to contribute economical support towards an event, often minimal but necessary, and to grant permission to organize e.g. a festival. In addition, municipal collaborators also assist in facilitating cooperation/collaboration with police, medical facilities, and other authorities.

**Volunteers** are considered an invaluable resource to an event organizer. Many events would not be profitable due to costs associated with hosting events if volunteer workers (unpaid) were not part of the equation.

**Free riders** are companies that are not formally collaborating with arrangers but who make profits because an event is held. They provide visitors with service during the event e.g. hotels and restaurants are examples of so-called free riders.

**Restaurateurs/vendors** are temporarily set up businesses located in the areas where events take place. They also make money because of events but they often must pay rent to event organizers.

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<sup>9</sup> The model explains concepts and characteristics presented by Andersson, Larson, & Mossberg (2009).

**Clubs/societies** contribute to events by showing up at events and demonstrating club activities that entertain, e.g. a cliff climbing club might set up a makeshift cliff face and encourage event goers to try climbing.

**Sponsors** can be individuals, groups, or organizations which are allowed to use events as a marketing tool and, in exchange, they are obligated to provide events with all kinds of resources, from money to services.

**Suppliers** provides events with products and services, they often have long standing business relationships with event organizers.

**Branch** is connected to the event's theme. For a festival, the music industry is the major key branch affiliate. The challenge for organizers lies in booking artists that will attract visitors.

**Audience** is the most important of stakeholder if the event is going to have a chance. The audience drives the success of an event long-term. For commoditized events they represent the primary source of income for an organization. Often organizers must define their audience, targeting for instance a particular audience with the help of e.g. artists.

**Media** is a marketing tool for events. Television, radio, internet, and newspapers promote events. Media entities often cooperate with event organizers in the form of e.g. sponsoring events and are promoted themselves through the cooperation.

**Public** are the rest of the people that live in a community where an event is held. Public approval of an event is vital in that external stakeholders want to be involved in an event that is receiving positive attention. (Andersson, Larson, & Mossberg 2009)

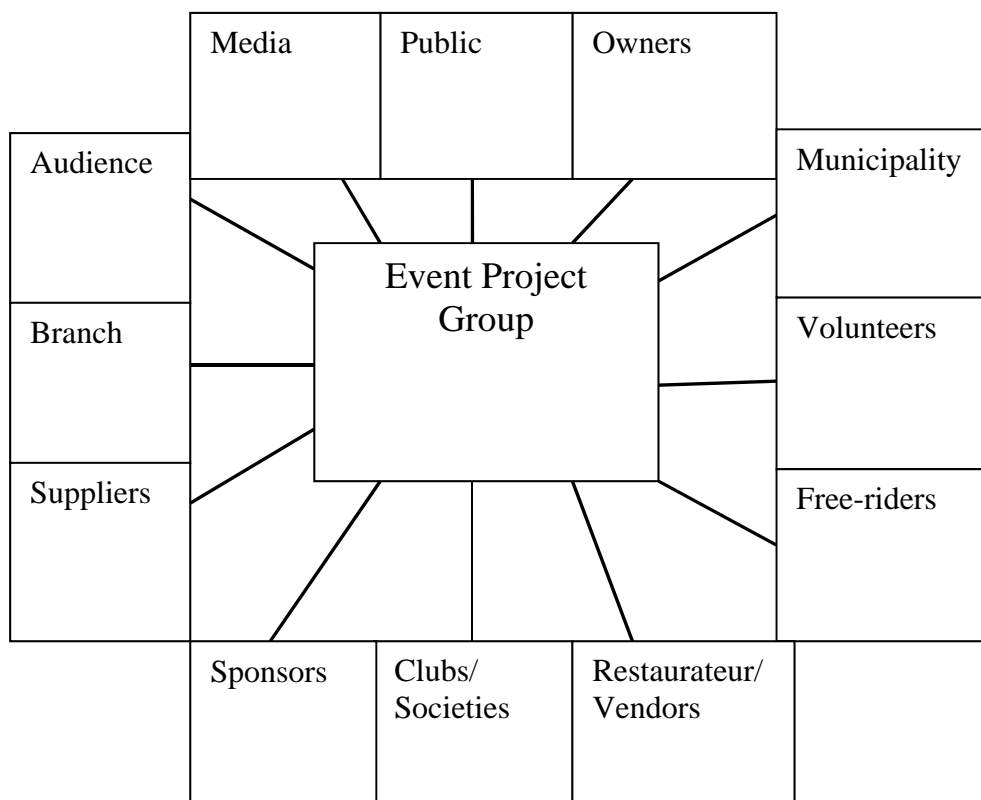


Figure 1: Festival organization (Andersson, Larson, & Mossberg 2009)

### 3.5 Emerging experience economy

An emergent focus on experiences in social and economic life is transforming the postmodern marketplace (Tarssanen & Kylänen 2005; Mehmetoglu & Engen 2011). Some researchers claim that goods and service offerings will not be enough to create sustainable advantage and maintain customer bases in the future (Pine & Gilmore 1999; Voss, Roth, & Chase, Richard 2008; Mehmetoglu & Engen 2011). The creation of customer experiences can be viewed as a means of strengthening a brand and thus act as a point of differentiating, for instance, a company's service offering from competitors' offerings (Voss, Roth, & Chase 2008). In the article, "Pine & Gilmore's Concept of Experience Economy and its Dimensions: An Empirical Examination in Tourism", it is suggested that the consumer has played a significant roll in a global trend, not limited to a specific service, product, or industry that places emphasis on experience offerings (Mehmetoglu & Engen 2011). The authors of the aforementioned article, Mehmetoglu & Engen draw upon the works of previous scholars to pinpoint key reasons for a perceptible shift marketplaces face towards experience-centric offerings. Motives comprise, "changes in social values (dematerialization) and consumers' need to be engaged in the creation of experiences (co-creation) (Boswijk, Thijssen, & Peelen 2007, Binkhorst & Dekker cited by Mehmetoglu & Engen 2011). These societal developments place emphasis on consumers' craving for experiences. But, what does an experience consist of? Understanding what makes up an experience may provide insight into how experience-oriented businesses function.

### 3.6 Experience and the service industry

Pine & Gilmore (1999) ascertain in their seminal work *The Experience Economy* that economies are indeed heading towards experience-orientation. If this is true then companies will be molded by their emphasis on experience creation. In its most stripped sense, Pine & Gilmore define experiences as "events that engage individuals in a personal way" (p. 12). Mehmetoglu & Engen (2011) differentiate between experiencing and experiences, proposing that just because subjects experience something does not necessarily imply that extraordinary experiences have occurred. There is a distinction made between ordinary and extraordinary experiences, extraordinary experiences being those which evoke emotions and are activated by events (Pullman & Gross 2004). Pine & Gilmore (1999) call these experiences memorable ones. It is the later categorizations of experience that are considered the foundation for SCA and strategies when companies seek to engage in experience creation. Madeleine Pullman & Michael Gross (2004) further clarify experiences specific to customers citing Gupta & Vajic (1999); "an experience occurs when a customer has any sensation or knowledge acquisition resulting from some level of interaction with different elements of a context created by a service provider" (p. 553). This definition acknowledges the inter-relational element of experience creation between the provider and consumer, a relationship that is key to the understanding of experience marketplaces and which is later defined in the research as co-creation. By exploiting definitions of experiences, researchers suggest that one can produce the type of experiences discussed to create sustainable competitive advantages in various markets (Pine & Gilmore 1999; Sandström, Edvardsson, & Kristensson 2008). While much discussion has surrounded service industries and MCS and debate as to whether traditional forms of MCS suit new types of businesses, the literature is sparse regarding the next evolutionary move towards an experience economy (Skoog 2003; Morgon 2006).

Pine & Gilmore (1999) explore the service sector of business making distinctions between 'uneventful' service-oriented activities such as auto repair and dry cleaning and other more experience-oriented services that engage customers and leave an unforgettable impression upon consumers. Authors Zomerdijk & Voss also discriminate between the aforementioned services and *experience-centric services* which they define as services primarily intended to create a customer experience (Prahalad & Ramaswamy 2004 see Voss, Roth, & Chase 2008). Some organizations can be said to principally provide *experience-centric services* and accordingly are defined as organizations that "deliver services in which the customer experience is at the core of the service offering" (Zomerdijk & Voss 2009). Pine & Gilmore (1999) believe that there are a growing number of companies that provide services that are more experiential in nature and that to be economical viable in the future companies that sell goods or services or a combination of the two must offer a unique experience to consumers in order to promote value.

### 3.7 Experience and co-creation

An emphasis on customer experience is part of what Pine & Gilmore (1999) judge to be a 'natural progression in economic value'. Theoreticians explain that "experiences are the forth economic offering, as distinct from services as services are from goods, but one that has until now gone largely unrecognized (Pine & Gilmore 1999).

Pine & Gilmore (1999) identify what they call the *experience realms*: experiences focus on entertainment, esthetics, escapism, and/or education. In addition, participant experience can be measured by the degree of passivity-activity and absorption-immersion<sup>10</sup> of participant experience. The richness of an experience is said to be enhanced by "the blurring of boundaries between realms" (Pine & Gilmore 1999, p. 38).

When discussing the importance of experiential offerings one concept that is touched upon repeatedly in experience and event literature is the co-creation of experience and value, meaning that consumers along with businesses co-create experiences, services, and products and inevitably partake in creating value at a company (Ramaswamy & Prahalad 2004; Edvardsson, Enquist, & Johnston 2005; Payne Storbacka & Frow 2008; Binkhorst & Dekker 2011). Matti Skoog (2003) in the article "Visualizing value creation through the management control of intangibles" acknowledges consumers' role in value creation in organizations (p.488). Alternative non-linear models for value creation have been and are being developed that challenge what creates value and how value should be managed at organizations. Skoog (2003) highlights that, "these new perspectives clearly acknowledge different actors (stakeholders) as co-producers/creators of organizational value and they tend to stress the importance of co-invention, combinations and constant connectivity among the various actors in question" (p. 488). Co-creation is particularly important when discussing experience-oriented service businesses. The prosumer, a consumer that both produces and consumes, (Mehmetoglu & Engen 2011) gains control and power in organizations when consumers interact with companies and engender their own individual experiences (Binkhorst & Dekker 2009). The 'co-creation experience' can be viewed as the next progressive step towards an experience economy where this type of experience can be viewed as the basis for value

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<sup>10</sup> Absorption and Immersion: As defined in *The experience Economy* absorption is "occupying a person's attention by bringing the experience into the mind" and immersion when an individual is "becoming physically (or virtually) a part of the experience itself."

creation and the face of innovation in the future (Ramaswamy & Prahalad 2004; Binkhorst & Dekker 2009). The weight of co-creation on experience-oriented services may have an impact on the formulation of MCS. Management control systems are in part used to maintain control and define performance measures, and if value creation is reflected in these measures, then a shift in value creation measures and in control might have an impact on the quality of a MCS.

### 3.8 Experience and events

The events industry and music event/festival industry as a sub-categorization of this industry and the focus of this research is steeped in experience creation. Music festival production can be seen as experience-oriented service that is in the business of creating the type of experiences discussed (Morgan 2006; Johansson & Kociatkiewicz 2011). The context illustrated above thus becomes fundamental in identifying the tenets of an organization that produces, or rather co-produces these events and in particular in explaining how one such organization might function.

### 3.9 Innovation and creativity

When reviewing literature discussing the music events industry, and more specifically event companies that produce festivals, some reoccurring attributes of those organizations that produce these events came to light, innovation and creativity (Getz 1997; Prentice & Andersen 2003; Getz 2007; Carlsen et al. 2010; Johansson & Kociatkiewicz 2011; Larson 2011). In reference to festivals and innovation, the authors of the article “Festival Management Innovation and Failure” define innovation particular to the branch as, “the process by which new products, processes, or ideas are created, incorporating new insights observed and learned from previous festival experiences” (Carlsen et al. 2010, p.123). The term creativity has been expounded by many varying definitions. In a more general sense creativity is defined by the Oxford dictionary as, “the use of imagination or original ideas to create something; inventiveness<sup>11</sup>.” Event studies expert Getz recognizes the importance of innovativeness and creativity in creating dynamic events, particularly festivals (Getz 2007). Innovation and creativity can also be considered inherent to the type of work that festival organization involves the meeting of mind to discuss a project’s intangible theme and ideas and translating them into tangible elements (Larson 2011). A linkage exists between innovation and creativity as creativity is the means by which innovation is attained (Carlsen et al. 2010, pg.123). Creativity and innovation can be measured in various terms. Some authors tempt to de-conceptualize these highly conceptual terms. Creativity in an organizational context can be understood to have its origins either in an individual or organizational structure, ecology, cultures, processes and environments (Nayak 2008). Operationalizing the word innovation, specific to the festival industry, innovation according to Carlsen et al. (2010) can be understood in terms of a company’s ability to meet challenges faced in regard to company performance and financing, marketing, and programming. The music event industry is considered a milieu that does and should fosters creativity and innovativeness in the most general sense discussed and perhaps in the more specific terms and the presence of these concepts pervade the organizational environment and may be key in the success of e.g. festivals events (Carlsen et al. 2010, pg. 123; Johansson & Kociatkiewicz 2011).

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<sup>11</sup> oxforddictionaries.com

A social or work environment can foster or impede creativity and innovation. It has been suggested that creative environments are adverse to standardization, planning, and bureaucracy (Amabile 1997). Many believe that creativity to a certain extent is stifled by controls (Davila 2010). A tension lies in the balance between planning and controlling and creativity and innovation. Resources exploited in innovative projects must be controlled to a certain extent as to ensure that a project is economically viable and efficient yet too much control might impede the creative process (Davila 2010). From a stockholders perspective financial controls and the documentation of them ensure for these and other investors as external stakeholders that they receive a return on their investments. Profitability increases if resources are managed efficiently in the sense that costs decrease and/or revenues increase (Ax, Johanssen, & Kullvén 2009). In a traditional sense, drawing upon an efficiency paradigm that has pervaded MCS literature, prominence can be placed on making processes more efficient, bringing down costs, in order to ensure profitability (Ax, Johanssen, & Kullvén 2009). However, credence on this mentality may in some environments prove detrimental to the viability of a company (Davila 2010). Thus despite any hampering of the creative process that financial controls and other elements of MCS might cause, there is prerequisite for their existence. Antonio Davila's "Thoughts on Structure of management Systems to Encourage Creativity and Innovation", underscores that MCS can in point of fact foster creativity as "tools to stimulate creativity and communicate knowledge" (p. 77). MCS can be utilized at times to enforce deadlines and lead personnel to converge and adapt to a strict framework of limitations and at other times promote divergence from the group, encourage variance when new idea creation is encouraged (Davila 2010). In the future, Davila (2010) suggests that creativity will be the grounds for survival and not efficiency and management controls will support the shift:

Organizations will have to get close to the edge where they do not know exactly what they are doing. Efficiency will be a competitive position for a few companies around the world. The others will have to compete on bringing new ideas to the market. But creativity cannot be planned or structured. It needs guided freedom and discipline to translate it into value generating opportunities. As organizations move toward generating value at the top line rather than through reducing costs, management accounting and control will have to change the paradigm to think about its role in organizations. The traditional focus on the inside, cost lines, and processes will not go away; but it will need to be complemented with a view toward the outside, inspiring and stimulating their people, the revenue lines, the landscape that opens and closes windows of opportunities and threats. (pp. 77-78)

### **3.10 Defining management control systems**

Every profit-driven company operating has a limited amount of resources that they use to produce products and/or services to garner other resources often in the form of monetary compensation. In a traditional sense management controls guide individuals towards economic goals of a financial quality (Ax, Johansson, & Kullvén 2009). Management Control systems can be summed up as methods utilized by managers to influence organizational members towards goals in line with an organization's strategies (Anthony & Govindarajan 2007). A MCS has several other functions and uses. Understanding divergent or complementing utilities may better explain the functions of a particular MCS. The functions highlighted here are not extracted from a specific model but are a list formulated from various sources and a product of reoccurring themes in literature on management control systems<sup>12</sup>.

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<sup>12</sup>planning, controlling, evaluating, decision-making, attention-focusing, coordinating are examples of other function ascriptions (Lind 1999; Drury 2006)

### 3.10.1 Informatory function

A management control system is an information system. Control in its essence is the processing of information and results in information creation (Samuelson 2004). In planning and forming prognoses for the future, companies need a system for sifting through information that is pertinent to short term and long term plans. Internal and external data is collected consisting of for example analyses of a market, competitors, past performance, etc. and used to formulate planning models, such as a budget, that are then translated into a controls e.g. performance measures (Samuelson 2004). Various controls act as informers to personnel as to what e.g. strategic, operational, and budgetary goals a company has (Samuelson 2004).

### 3.10.2 Motivational function

One of the functions of a MCS is to motivate and inspire individuals at a company to reach goals and perform to a high standard. Anthony, Dearden, & Bedford (1984) cite this function as essential to the efficacy of a management control system. Reward systems set up at a company are employed to motivate staff in order to ensure that they produce a specific desired performance and align their individual goals with company goals (Samuelson 2004; Ax, Johansson, & Kullvén 2009; Otley & Ferreira 2009)<sup>13</sup> However, motivation is a complex concept and although one of the intentions of a MCS is to motivate individuals, the system at times falls short of doing so (Merchant & Van der Stede 2007).

Particular to creative and innovative environments, several studies have been conducted that suggest that what motivates individuals in such settings is associated with intrinsic motivation (Selart et al. 2008). Intrinsic motivation is motivation that arises within an individual (Amabile, 1996). According to literature on intrinsic motivation and creative/innovative mileaus “persons are motivated simply to perform an activity and to have the spontaneous experience of interest, enjoyment, excitement and satisfaction that accompany the behavior. Intrinsic motivation encompasses exploration, spontaneity, autonomy and interest in one’s surroundings” (Selart et al. 2008, p. 1). This type of motivation may be present at companies that produce events as it has been suggested that the event industry is prone to having innovative and creative work processes.

The event industry is often associated with individuals that are passionate about the events they are working on (Andersson, Larson, & Mossberg 2009). Many events are started by a small group of people that are interested in creating something for the community. There is a sense that many smaller event organizations, ride the pendulum between commercialism and idealism, wanting to provide something for the community and make money (Andersson, Larson, & Mossberg 2009). Therefore, motivational factors for many private owned companies that are started by such groups are not necessarily linked strongly to monetary gain (Andersson, Larson, & Mossberg 2009).

When discussing the motivations of volunteer employees, in the typology of event industry employees, it is suggested by Getz (1997) that volunteers are generally driven by socialization at events, interpersonal rewards (prestige and friendship), achievement and self-fulfillment,



motives associated with altruism, and often for volunteers, especially under 25 years of age, work experience.

### **3.10.3 Communicative function**

Another function of a MCS is to facilitate communication within a company. Maintaining control over resources is a collaborative effort which requires communication between parts. A control system can be used to promote interaction and dialogue within the company (Simons 1994), whether goals are explicitly communicated through documentation or discussed through direct face to face. Interaction, consistency in realizing those goals might better be attained if the communicative paths are clear at a company. Communication is especially essential to operations at event companies because the organizational structure of such companies is often associated with functions, e.g. production, marketing of an event and coordination among parties is essential (Simons 1994). In addition, event organizations rely on a network of parties to help in planning, executing and supplying resources for events (Getz 1997).

### **3.10.4 Diagnostic function**

The final function that is highlighted here is diagnostic in nature indicating that a management control system has the intended purpose of solving problems. Traditional MCS literature has focused on management control systems as a collection of problem solving tools (Kullvén & Mattsson 1993). Robert Simons (1994) describes this diagnostic function as a type of feedback system which is exemplified in business plans and budget, one “used to track variances from preset goals and manage by exception” (p. 171). Although problems can be solved using informal controls, the diagnostic function of a MCS has been strongly linked to formal controls that are based on the ‘rational’ assessment of a problem and a singular remedy (Simons 1994).

### **3.10.5 Flexibility**

While understanding functions of MCSs might assist in gaining insight into the purpose of controls, the degree of formality/informality and tightness or strictness of a MCS also lends in understanding of an organization. Merchant & Van der Stede propose that tighter controls, or stricter controls “provide a higher degree of certainty that employees will act as the organization wishes” (Merchant & Van der Stede 2007 pg. 118; Ax, Johansson, & Kullvén 2009). Looser controls generally are those that permit and encourage autonomy, innovation, entrepreneurship, and creativity though, many companies with looser controls in the form of looser financial controls may have tighter cultural controls e.g. a rigid set of shared values (Merchant & Van der Stede 2007).

## **3.11 The elements of management control systems:**

### **3.11.1 Event strategies and targeting setting**

Otley & Ferriera (2009) observe strategy as a conspicuous facet that is connected to the mapping out of a management control system. Merchant & Van der Stede (2007) provide two apt definitions of strategy. In a general definition they account that strategy “define how organizations should use their resources to meet their objectives” (p. 6). Additionally, they provide a definition that geared more towards understanding management control systems, strategies “as constraints that organizations place on their employees so that they will focus their activities on what their organizations do best; particularly in areas where they have an advantage over their competitors” (p. 6). Andersson, Larson, & Mossberg (2009) point out that event companies, when formulating their strategic goals, must take into account that they depend on a network of external stakeholders. According to the authors, an important part of event companies’ strategies includes building up relationships and making sure one does not overly control all project details, as those relations might suffer (Andersson, Larson, & Mossberg 2009).

Target setting is key to the formulation of, for example, performance controls (Stringer 2007). In the framework set up by Otley & Ferreira, they authors indicate that the process of setting targets is as important as outcomes and results reached and that there is an underlying tension often that exists between what is desired and what is feasible in setting targets for various types of performance at an organization (Otley & Ferreira 2009). Event companies’ project activities are strongly linked to deadlines as short-term targets (Getz 1997). These deadlines are often associated with the project phases discussed earlier.

### **3.11.2 Events: vision and mission and key success factors**

The vision, mission, and key success factors of an organization are consider crucial rudiments of a management control system (Otley & Ferreira 2009). A vision is an articulation of how a company wants to be perceived by customers and in what direction a company is headed (Ax, Johansson, & Kullvén 2009, pg. 18). A mission defines what a company is in the business of doing and abstractly how a company plans to realize its vision (Ax, Johansson, & Kullvén 2009, pg 19). Visions and missions can materialize in formal documentation as mission and vision statements although, they can also be informally communicated and reflect an organization’s values (Otley & Ferreira 2009). Key factors encompass what is specifically required in an organization in order to realize a vision; they become “a codification of the vision and mission in more concrete terms” and include the critical activities, competencies, and capabilities essential to the survival of an organization (Otley & Ferreira 2009, pg. 268-269). The vision and missions at event companies vary. However, Bowdin et al. (2001) proposes at such companies often every project or event must have a unique mission and vision as well. He postulates, “All festivals, exhibitions, and events occur because one person or a group believes that holding an event will fulfill some need for the community, region, organization, or company” (Bowdin et al. 2001, p. 69). The event industry’s key success factors are often related to their network building, phases of a project and coordination between phases, and human capital: competent worker that are able to communicate and provide good service (Bowdin et al. 2001).

### 3.11.3 Organizational structure

Organizational structure assumes a cardinal roll in the formulation of management control systems. It shapes in many ways the design of the MCS and limits the possibilities of design (Otley & Ferreira 2009). Otley & Ferreira (2009) propose that “organization structure determines the responsibilities and accountabilities of organizational participants; it equally defines the activities that individuals with specific roles should not pay attention to” (p. 269). The degree of formalization, centralization, and configuration or an organization’s form can have an effect on its ability to adapt and formation of management controls (Johnson et al., 2005; Ax, Johansson, & Kullvén 2009). The degree to which an organization is either defined as being horizontally or vertically organized has bearing on how controls are formulated (Ax, Johansson, & Kullvén 2009). Furthermore, how an organization partitions responsibility among its members also affects how management controls are articulated (Ax, Johansson, & Kullvén 2009).

Bowdin et al. (2001) suggests that event organizations often have functional structures. The reason for this type of organizational structure is cited as being, “employees can achieve efficiencies, (i.e. produce more output with the same inputs) by specializing in particular tasks, rather than attempting all tasks involved in producing an event” (Bowdin et al 2001, p. 80). When organizing events, if different tasks are divided among the staff, frequent meetings leading up to execution are essential to have (Bowdin et al. 2001). Another organizational classification that is common at event companies is a network or virtual organization structure (Bowdin et al. 2001). Because most festival and events are limited in duration organizations behind them are more inactive during certain time and thus a large organizational type based on functions is not needed (Bowdin et al. 2001). Instead, organizations should have structures that exist during certain times and building of larger networks during those times should occur. Other times, when/if an event season is over, they should or tend to have simple organizational structures (Bowdin et al. 2001).

### 3.11.4 Behavioral measures

#### 3.11.4.1 Performance measures: measures have changed

Performance measures are conveyed by Otley & Ferreira (2009) as “the financial or nonfinancial measures (metrics) used at different levels in organizations to evaluate success in achieving their objectives, KSFS<sup>14</sup>, strategies, and plans, and thus satisfying the expectations of different stakeholders” (p. 271). According to Ax, Johansson, & Kullvén (2009) result planning has been limited to a discussion about explicitly designed and defined performance measures. Performance measures are often defined as explicitly communicated measures of performance (Ax, Johansson, & Kullvén 2009; Merchant & Van der Stede 2007; Otley & Ferreira 2009). However, at times the measures that are actually used in practice differ from those explicitly communicated by a company and other times, performance measures are limited in use or non-existent (Otley & Ferreira 2009). Specific to creative environments, performance measures at creative companies are more likely to allow employees to work autonomously and self-regulation of performance is more common (Selart et al. 2008). In connection with autonomously driven terrains and performance measures, Waples & Friedrich

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<sup>14</sup> Key success factors

(2011) comment “it is clear that leaders should not provide feedback that is too restricting or that reduces the employee’s sense of control or ownership of the effort. However, given the complex and unique nature of creative problems, evaluation and feedback are essential to arriving at a solution that is both novel and useful” (p. 375).

#### 3.11.4.2 Action controls

As a measure of behavior, the action control can be considered a preventive measure in that the action measure prohibits certain actions or behaviors from taking place that might lead to or be construed as threatening to a company in some way. Merchant & Van der Stede (2007) explicate the action control typology:

Behavioral constraints:

*Physical constraints*: locks on desks, computer passwords, limits on access to areas, limit to sensitive information

*Administrative constraints*: restriction of decision-making authority

*Separation of duties*: having responsibility over one part of a process but not the whole, a check and balance function

*Pre-action reviews*: approval or disapproval of planned employee action e.g. a coworker must check with superiors before putting a planned project into action

*Action accountability*: checklist, policy, rules holding employees accountable for actions, rewarding adherence to rules and punishing digression from the rules.

*Redundancy*: assigning several back up employees to task to ensure that an action is carried out. (pp. 77-79)

### 3.12 Social controls

Management control systems have not only been understood in terms of formal frameworks but also in terms of as Paul Collier articulates in the article *Entrepreneurial control and the construction of a relevant accounting*, “a broad array of decision support mechanisms and informal personal and social controls (Collier 2005). Theorists such as Hofstede, Ouchi, Trist & Bramworth have laid the groundwork for comprehending informal or socio-cultural aspects of control (Collier 2005).

#### 3.12.1 Culture

Merchant & Van der Stede define cultural controls as those that “are designed to encourage mutual monitoring, a powerful form of group pressure on individuals who deviate from group norms and values” (Merchant & Van der Stede 2007). Norms, traditions, ideologies, attitudes, values, belief, and ways of behaving form the organizational culture and scripted and unscripted rules dictate organizational norms etc. Analyzing organizational culture has become important in developing deeper more realistic understanding of the experience of people in organizational environments (Alvesson 2002). Getz (1997) points out that organizational culture at event companies often changes when there is a shift from all-volunteer/informal cultures to professional/formal groups. A study by Getz & Frisby about (1988) proposes that shifts in management sophistication depended more on the size of

community where events are held than the age of a company. Furthermore, the study suggested that at these organizations often strive to maintain an informal culture as formality engenders higher costs, more work, and less enjoyment (Getz 1997).

### **3.12.2 Organizational learning and information flow**

Learning is a process during which individuals or groups alter behaviors as a result of past experiences or insight gathered from an environment (Ax, Johansson, & Kullvén 2009). Learning is a social control in that interaction between parties or cultural frameworks result in the phenomena. Organizational learning can be described as a process of innovation, improvement, and change in an organization (Ax, Johansson, & Kullvén 2009). Otley & Ferreira (2009) link learning to information flow. Information flow networks are the means by which information is conveyed at a company (Otley & Ferreira 2009). The authors distinguish between feedback information i.e. “information used to enable the undertaking of corrective and/or adaptive courses of action” and feed-forward information “information used to enable the organization to learn from its experience, to generate new ideas and to recreate strategies and plans” (p. 273).

### **3.13 Budgeting and costs for events**

Budgets are expressed expectations and measures of economic goals for a pending fiscal term (Ax, Johansson, & Kullvén 2009). A budget plan is associated with a particular time frame e.g. weekly, quarterly, annual budgets determine what goals are feasible and desired within the timeframe of a week, quarter, or years respectively (Samuelson 2004; Ax, Johansson, & Kullvén 2009). Budgets are used as a tool for planning, coordinating, dividing responsibilities and organizational activities, following up on outcomes, communicating, objective setting, motivating, and formulating incentive systems (Ax, Johansson, & Kullvén 2009)<sup>15</sup>. Budgets at event companies are usually important. Bowdin et al. (2009) explains their importance and function at the event level: “The budget of an event is used to compare actual cost and revenues with projected costs and revenues. In particular, maximum expenditure for each area of the event’s operation is estimated” (p. 177). Cost associated with the branch are high, many events such as festivals require a lot of resources being pumped into them from internal and external sources (Getz, 1997).

### **3.14 Evaluation**

Otley & Ferreira (2009) call performance evaluation “nexus of control activities,” it is the point at which management measure if an individual, group, or the company has performed up to a standard and reached various goals. One can both subjectively or objectively evaluate performance based on managerial observation or for instance on figures, based on performance measures such as number of services sold etc. (Otley & Ferreira 2009). Evaluation is cited repeatedly in event management literature as being central to ensuring the survival of projects. According to Bowdin et al. (2009) events must also be evaluated because key stakeholders must receive full reports on event outcomes as many are involved in

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<sup>15</sup> There are an amalgamation of different types of budgets that have been named. Although, in this study the description of the budgetary process is not given a particular ascription. Thus, providing a list of various types of budgets has not been deemed necessary.

submitting resources to a particular project. However, it is often difficult to measure the performance of large events easily in terms of how many tickets are sold, as events affect many players in a community and have a ripple effect on how external environment is affected and benefits from an event or not (Andersson, Larson, & Mossberg 2009).

### **3.15 Rewards**

Rewards are offered by management as incentives for performing and to ensure that employees are motivated and content. Rewards are not only financial in character but also of an immaterial character (Merchant & Van der Stede 2007; Ax, Johansson, & Kullvén 2009). Some organizations heavily utilize financial rewards to acknowledge performance. However, informal praise or criticism about employees' performance by management can significantly influence subordinates' behavior (Otley & Ferreira 2009). Rewards in connection with innovative/creative driven environments more often are not tangible, as compared to other environments (Selert et al. 2008). The authors of "Effects of Reward on Self-regulation, Intrinsic Motivation and Creativity" (2008) explain "if rewards are not expected while a person is working on a creativity task, they are not predicted to affect motivation, because the person is not likely to experience the task as being controlled by the rewards" (p. 440).

### **3.16 Management control systems in transformation**

Max Weber, one of the founding fathers of organizational theory, saw MCS formation as a project of rationalization, bureaucratic rationalization that originates in a charismatic individual and quantifies goal-oriented motivations in performance measures (Broadbent & Laughlin 2009). A conflicting school of thought was presented with its foundations originating in the work of Habermas. Communicative rationale opposes in some ways the 'institutional rationality' of earlier organizational theorist such as Weber, stakeholders and participants in an organization reach rational decisions through consensus (Broadbent & Laughlin 2009). Broadbent & Laughlin (2009) suggest that rationality in many ways defines MCSs but one must understand rationality in terms of its development. The idea of rationality is believed to be strongly linked to MCSs in the sense that a management control system is a scheme for understanding and categorizing phenomena in the world (Broadbent & Laughlin 2009). However, due to developments in understanding of for instance human factors, MCSs have changed over the years, personnel and customer motivations have begun to alter the face of management controls such as performance measures and cost calculation (Almquist & Skoog 2006; Ax, Johansson, & Kullvén 2009).

Moreover, the shift from a primarily industrial society to societies heavily dependent on information and knowledge has brought changes in the concept of management accounting and control (Almquist & Skoog 2006). Davila, Foster, & Oyon explicate "early models of control, such as the cybernetic (feedback loop) model (Ashby 1960; Anthony, 1965) and the personnel, action, results model (Thompson 1967; Ouchi 1979; Merchant 1985), emphasized execution rather than exploration and had little relevance to our understanding of control for entrepreneurship and innovation" (Davila, Foster & Oyon 2009). Traditional controls and measures that focus narrowly on financial measures have been viewed as limited in their application to service-oriented operations where other measures are highly relevant such as customer satisfaction and operational flexibility (Kullvén & Mattsson 1993). The decline of manufactured based companies in many economies and the increase or service-based offering

that focus on innovation and flexibility has already caused significant changes in management controls (Otley 1994). Thus, a question arises in the discussion of new emerging economic offerings, will they or have they already impacted upon the way in which management controls are infused into the organizational framework of companies providing these offerings?

## 4-Empirical Data

*The following chapter presents the collected interviews complemented by the survey material collected, a budget document supplied by Luger and information collected from company websites. A company background is first introduced to provide a more detailed understanding of the study object. In addition, Luger's relation to Live Nation, its parent company is briefly mentioned in regard to management controls to enrich understanding of Luger's management controls in context.*

### 4.1 Company description

Luger was established in 1991 in Sandviken, Sweden and since 1998 have had their office in Stockholm. The organization became a subsidiary of Live Nation in 2008. The company organizes the festivals Way Out West, located in Gothenburg, Sweden, and Accelerator, which recently took place in Stockholm. Additionally, Luger and Live Nation jointly organize a newly created Gothenburg festival called Where The Action Is. Luger, together with the event association Popaganda, also organizes the Popaganda festival in Stockholm. Luger is in addition a booking agency for Swedish artists and international artists, a list of artists can be found at the website [www.luger.se/boka](http://www.luger.se/boka)<sup>16</sup>.

Luger's parent company is Live Nation Sweden which is the largest organizer of concerts and events in Sweden. It is owned by Live Nation Nordic which is, in turn, owned by Live Nation Entertainment. Live Nation Sweden produces everything from local club gigs to major well known festivals including the festival mentioned above. Live Nation Sweden's artist clientele is not limited to a specific genre of music. Like their subsidiary they also represent both international and Swedish artists. Live Nation's mission is to offer the best to its visitors before, during, and after concerts and Live Nation Sweden specifically are in the business of creating event experiences for Swedish audiences<sup>17</sup>.

Live Nation Sweden is owned under the umbrella Live Nation Entertainment which is the world's leading live entertainment and e-commerce company. Live Nation Entertainment is comprised of four market leaders: Ticketmaster.com, Live Nation Concerts, Front Line Management Group and Live Nation Network. Live Nation Concerts produce over 20,000 shows annually for more than 2,000 artists globally<sup>18</sup>.

### 4.2 Strategy and target settings at Luger

*“Creating a festival is like building a mini version of Kalmar”*

*Niklas Lundell*

The strategy and strategic goals at Luger are multiple. Luger is focused on providing an event experiences that are memorable and believe that their involvement in every aspect of the process of creating events i.e. festivals is essential (Niklas L. & Niklas T.).

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<sup>16</sup>luger.se

<sup>17</sup>livenation.se

<sup>18</sup>livenation.com



*”With the help of arenas, tickets, and festivals we have a strong position today to convey effect”*

*Luger.se*

Niklas L. describes that the process of creating a festival is like fashioning a small community; in this festival community, clients have to be able to do everything, from eating and sleeping to consuming music and culture. To be able to create this type of community, as an employee, one must have a passion for music (Niklas L.).

One aspect of the company’s strategy includes consistently reinventing themselves. Innovation is key to their strategy as the music industry changes constantly, music tastes, and popular artists (Niklas L.). The respondents point out that music industry is a creative world and in creative milieus, one is always attempting to come up with something novel (Niklas L. & Niklas T.). Luger’s strategy is not articulated in terms of being the “market leader” per se but rather, to reiterate, to focus at all times on innovating the events they host (Niklas T.).

Additionally, Niklas L. points out that the company does not aspire to focus on a particular target group. Rather their goal is to capture the interest of the next generation of music listeners. Luger are not focused on a specific music genre but position and differentiate themselves partially through booking artists that get the attention of new listeners (Niklas L.).

Another aspiration the event company has is do with thinking about the environment. Luger strives towards sustainable operations. Sustainability strategy is linked directly to cost management at the company. For example, they rent constructions for events from others to keep down storage costs but also because from an environmental outlook, buying and using resources once a year is a waste of material. Sharing the same materials is more environmentally sound. (Niklas L.).

When it comes specifically to festivals, Luger’s strategy concerns ensuring that individuals with music interest are able to have access to great music at low cost (Niklas T.). Both Niklas L. & Niklas T. emphasize that that they don’t want festival goers to pay too much. However, there is a sense that exclusivity offerings have also become an element of their strategy. Firstly, according to Niklas L., exclusive access to comfortable bar and lounge areas is granted to festival visitors that pay a premium. The festival program consists of two programs, some artists play at main venues and others play in clubs. Club access during events is limited which adds to the flavor of exclusivity because not all festivalgoers are able to get into club concerts (Niklas L.).

*“A good club is supposed to be difficult to get in, it’s a part of the whole experience because if you are one of those lucky ones who got in that itself is a rich experience, to be there and celebrate the experience of music”.*

*Niklas Lundell*

Luger does not exactly create a SWOT<sup>19</sup> analysis of other competitors but they analyze what’s positive and negative about other’s events, trying to learn from their mistakes. Organizational learning is key; the company doesn’t focus on what internally has gone wrong, diagnosing the problem and fixing it. (Niklas T.). Niklas L. points out that Luger hones in on how to improve

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<sup>19</sup>SWOT: internal strengths and weakness, and market related opportunities and threats

events, forward thinking. In order to determine ticket price, Luger's strategy is also to look at competitors and other festivals around the world (Niklas L.). Luger do not compare strategies, as they view the events they host as unique, but rather take note of what others are doing (Niklas T.). In addition, Luger does not want to compete with other events i.e. summer festivals. Their strategy related to this, is to avoid competing with other festivals, notable larger events throughout Europe, by staging events later in the summer. This in effect also allows them to avoid competition over artist bookings as well. (Niklas T.).

One of the key concepts brought up in connection with strategy was experience. Efforts are not placed on a particular revenue increase percent but providing an experience offering. Both respondents at Luger pointed out that putting on an event is about creating an unforgettable experience (Niklas T. & Niklas L.). Luger looks at all aspects of the operation and evaluates what competencies, materials, artists, and relationships help them create unique experiences for event attendants. For, example they strategically analyze what lifts up an experience for event participants and in the future focus their attention on the specific areas that improve experience and make it more dynamic, e.g. if Luger determines that the artist program is at the center of festival experience, then they might modify how much attention is placed on the program. (Niklas T.). Luger view experience creation as a co-creation process meaning that their relationship particularly with event attendants aids them in creating events (Niklas T. & Niklas L.). The goal is not to produce something, a service, and send it out into the void. Rather, the respondents Niklas L. & Niklas T. emphasize that event production is a co-creative process where their audience and artists are involved in molding the event e.g. through feedback.

*"We at Luger have two gurus: the artists and fans"*

*Luger.se*

A strategic goal of the event organization is to build event brands (Niklas L.). According to Niklas L. they do this through a network of various relationships with external stakeholders. Cooperation with stakeholders is important to this goal because resources are supplied by external stakeholders that helps the company build up an event's name, for instance, free event marketing is supplied by certain stakeholders (Kristina E.).

The strategic goals and processes mentioned above are translated into specific targets and goals. The innovative process includes, not coming up with strictly defined themes for events, but rather, through an ongoing discussion with staff and event participants, creating a new feeling for an event each time one is being planned (Niklas T.). The innovative process Niklas L. & Niklas T. describe particular to event organizations is more ad hoc. They describe the process as organic, creative minds at the company are allowed freedom to come up with new ideas and directions for an event (Niklas L. & Niklas T.). Those responsible for creating the artwork, for example, might try to create a new mood for an event through the poster art that they feel matches the artists that might be attending the event. In addition, they consult event goers on what they want to feel from a particular event (Niklas L.).

Ways in which an event company, in the business of putting on music events, stays on the fringe of music tastes, according to Niklas L. it is to constantly checkup public feedback about music in the form of perusing music blogs and music sites such as Pitchfork. This form of feedback is not direct like others discussed further on but the respondents at Luger point out

that it is a way of contributing to development of their own tastes and ensuring that an experience the employees later creates captures audience attention (Niklas L. & Niklas T.).

More specific goals described by Niklas L. are related to their environmental strategy, which includes encouraging and placing demands on artists, employees, and event attendants regarding their mode of transportation to events. Together with Luger a company focused on projects related to climate neutral travel, GreenTagBag Green Touring, try to find solutions for creating green artist touring. Working with GreenTagBag Green Touring the environmental team urges artists and visitors to travel to the festival via low impact transportation (Niklas L.). According to Niklas L. Luger, dispose waste in an eco-friendly manner, recycling and buy food locally produced for events they host and minimize energy consumption by using low energy lamps. When it comes to festival events e.g. Way Out West, Niklas L. means that an environment entity is charged with ensuring that minimize damage is done to the area they use for the event i.e. the Slottskogen park in Gothenburg, Sweden. Mentioned by both respondents at Luger and Kristina E., protective flooring covering the park grass is used. Because the park houses animals, together with Park and Recreation, Luger measures sound emittance to check noise level effects on park animals (Niklas T. & Kristina E.). Luger checkup local food and beverage suppliers and restaurateurs that supply or buy locally produced goods. Their active work internally reflected on externally Luger urges the visitors and artists as well to travel eco-friendly and buy local produced food. Luger uses energy efficient lightning, buys locally produced food and beverage and they also set high demands on the clubs and suppliers to minimize impacts on environment. (Niklas L.).

Through surveys focused on event attendants Luger receives visitors' thoughts and opinions on how much an experience is worth in monetary terms (Niklas T.). In addition, Luger use the feedback in keeping their audience involved in helping to create the event experience (Niklas T. & Niklas L.). The last three years Luger has been working seriously with surveys because co-creation with visitors is important (Niklas T.). Their feedback is the most useful information, according to both respondents at Luger, for improving and innovating an experience. Audience surveys are key tools for gauging the success of events and projects and their uses are discussed in more detail later on.

Deadlines are a symptom of the type of operation Luger is. They work with projects and deadlines are part of the project process. According to Niklas L. each phase of the project, deadlines are set up but not strictly followed. At the event company, deadlines function more as guidelines for where everyone is in the process of making things happen before an event, festival, is executed (Niklas L.). The deadlines are not followed as such because there is no project template that is tracked for event projects (Niklas L.). According to Niklas T. each members of an event team meet constantly before execution to check up what is being done. Strict deadlines are impeded by the fact that goals are extremely short term often in connection with event details. The respondents at Luger point out that there are many uncertainties leading up to the event e.g. will we secure this artist? How many will we secure? Nobody follows deadlines verbatim because staff depends so much on external cooperation and others' timelines (Niklas T. & Niklas L.).

### 4.3 Vision and mission and key success factors

The overarching vision at the company is to create experiences as has been mentioned in connection with their strategy. But, more specifically Luger explains:

*“Long term, our vision works towards creating and delivering new strong experiences, physical, philosophical, and digital. We don’t only want to talk about it, we want to do it”*

*Luger.se*

Both Niklas T. & Niklas L. also point out that the visions at the company can be multiple, in that different festival departments have their own long-term paths. However, everyone works towards the main vision for the company.

Luger’s mission described by Niklas T. is primarily to arrange concerts and festivals with acts from around the world in Sweden and Norway. Their uniqueness lies in the ability to recognize that music is strongly related cultural and identity markers and delivers authentic experiences that speak to those identity in individuals (Niklas T.).

According to Niklas L., with regards to key success factors there is a relation to what type of company Luger identifies itself as. He names credibility and authenticity as two success factors. Niklas L. feels that the experience they create must feel authentic and that they must be seen by artists and their audience as credible. Luger must be viewed as credible because they deal with brands (artists) that demand that they can deliver on their end (Niklas L.).

Because Luger are so reliant on their relations with other stakeholders according to Niklas T., the people that work for the company are a major key factor in success and the major asset of the company. Furthermore, effectiveness is essential to project operations. Being that a lot has to be done in a short timeframe e.g. before a festival, the team must work effectively (Niklas L.).

Learning and knowledge is another key success factors. According to both respondents at Luger, experience allows them to better anticipate future risk associated with projects, anticipate costs and revenues because their operation has a lot of unanticipated costs and risks associated with it (Niklas T. & Niklas L.).

Lastly, the respondents at Luger named intuition as key when dealing with projects associated with pop culture. One can only do so much planning but the competence of staff in following their gut instincts when it comes to music is an essential ingredient in success. (Niklas L. & Niklas T.)

### 4.4 Organizational structure

*“The feeling at Luger is flat even in the behavior towards each other but there is hierarchy, a silent one”.*

*NiklasLundell*

According to Niklas T. & Niklas L., Luger is as a flat organization. The eleven employees at Luger work separately on projects and cooperate on smaller projects throughout the year (Niklas T.). Freedom is given to the employees to get things done themselves and no directly top-down influence is normally exerted over their individual projects (Niklas T. & Niklas L.).

According to Niklas T. Luger is not strongly influenced by its parent company in its operations. For the most part top down hierarchy only assists on paper and certain projects require approval from the parent. However, in daily practice Luger has a lot of freedom to pursue the projects they wish without interference from top management (Niklas T.). The motivation behind parental silence is cited as being because of the fact that the work process is a creative and innovative one and that direct bureaucratic influence would ruin this process (Niklas T.).

According to Niklas T., the internal flat structure exemplifies itself in the subsidiary's employee relations. The existing behavior towards each other is very relaxed, many employees at Luger feel secure in the organization because of the relaxed environment and because the employees socialize with each other privately (Niklas T.). In addition, there are no bosses per se at Luger (Niklas T.). However, during festival season, six of the eleven employees at the company are handpicked to create the sub organization, festival management. These are the ones who create festivals such as Way Out West and devote a lot of focus to these projects when a festival is approaching (Niklas T.).

Even with the flat structure, hierarchy exists in the company, according to Niklas L. in a silent one, which shows up during festival season when the festival management is responsible for entities and have reference groups working under them. These groups consists temporary employees recruited externally. Certain members of the reference group are given more responsibilities and manage others in the group (Niklas L.). Within the internal festival group, each member works with many assignments, the festival management has clearly defined directives that should be followed (Niklas T.). With the obvious directives, the internal festival group does not have a manager that controls everyone and gives orders (Niklas T.). It was reiterated many times during the interview that the company does not have an internal individual in charge of festival projects (Niklas T.). A discussion, regarding semantic differences in the choice of words between, project manager and project team, highlighted the company's aversion to titles that place one member of the team above the other.

#### **4.4.1 Festival responsibility entities**

According to Niklas T., responsible entities are important for Luger in their work with larger events since they deal with an immense amount of money under a short period. The festival divisions handle everything from how information about events is spread to how people travel to Gothenburg to visit festivals like Way Out West (Niklas L. & Niklas T.). According to Niklas L., in the festival management there is mixed responsibility among members; no one has chief responsibility over everyone. Although, one member of the Luger team heads a responsibility entity when it comes to festival arrangement, responsibilities are spread informally among the members of staff (Niklas L.). To clarify again, individuals are in charge of small event projects and artist booking separately through the year and when festival time approaches, the festival entities are formed (Niklas T.).

Since it is a company that arranges events, the responsible entities are interconnected with an event's different parts. Luger has six defined responsibility entities where each of the six members in the festival management has responsibility over one entity (Niklas L.).

Responsibility entities	Description
Production	Are responsible for drawing sketches which are used in building festival structures at the main venue.
Environment	The environmental division works towards improving the company's environmental impact
Club	The club division has responsibility over booking clubs for the club shows but also for maintaining good relations between Luger and the clubs.
Marketing/PR	Are responsible over marketing the festival through various media avenues.
Sponsors	The sponsor entity is responsible over nurturing relations between Luger and the sponsors of the festival.
Artists program	Are responsible for booking and setting up a program of artists that will attract visitors.

Tabel 2: Responsibility entities, source: Niklas L.

The production entity has responsibility over the architecture at the park, surveying the festival area and drawing sketches detailing where all the structures and facilities will be placed and putting up marks in the event area to make it easier for the production crew to assemble structures. Leading up to an event they are responsible for contacts with suppliers of structures, which they rent and other suppliers of other facilities.

Luger is very active in improving the environment and works constantly with stakeholders to show their commitment to the environment. The festival management ensures festival activities take place with minimal impact to the surrounding natural environment. They have devoted the area of responsibility towards ensuring that Luger is constantly taking into consideration the environmental imprint of events.

The club division is responsible for the club program that is held. Their assignment is to rent the clubs where artists will perform during the event. Relations between Luger and the clubs are very important for Luger and the division arranges future cooperation with clubs and draws up contracts with the external stakeholders.

Marketing/PR is the division that has the main responsibility over marketing e.g. Way Out West through different media sources. Because the event is held in Gothenburg, the Gothenburg & Co. provides the festival with marketing by putting up posters in town and exposing the event through their website and entertainment guide.

The division for sponsors has responsibility over maintaining relations between Luger and the sponsors because sponsorship is one of their revenue sources.

Artists program has responsibility over one of the most difficult and most important part of the festival. Their assignment is to book high quality artists for the festival. Their responsibilities extend to checking up the newest music on the market and securing acts that fit the profile of the event.

In Luger's normal operations, their titles are loosely linked to what they are responsible for. The responsibility divisions mentioned are agent, organizer, marketing, sponsorship, economics, festival, production, and booking. The employees often have split responsibilities e.g. organizer/booking etc. Their responsibilities in normal operations are described as fluid. (Niklas L.)

## 4.5 Luger's budgeting and cost management

In the event company's operations, budgets are important. Luger designs monthly budgets for the entire company as well as having project budgets. Budgets are revised in a constantly evolving way (Niklas T. & Niklas L.). Because costs associated with their projects are always in flux, budgets are rolling (Niklas L.). Having an altering budget creates space for unexpected costs, cost increases that make an event experience better. If one million is needed to fill in costs they "create" one million, it can be through garnering funds through sponsorship. (Niklas T.). If Luger and the visitors are passionate about adding something the e.g. the festival experience they make sure money is allocated towards certain elements (Niklas T. & Niklas L.). Specifically, because the process of creating and co-creation is important, experience feedback given by visitors is used when the budget is being created (Niklas T.). The resources are allocated according to visitor recommendations for improvements, if food and beverage needs to be improved more resources is put into that area (Niklas T. & Niklas L.). A purpose with their budgets is to produce a desirable revenue result but also make sure employees with economic responsibility communicate how much money is in the pot and if more money needs to be raised (Niklas T.). The respondent Niklas T. described that for many projects a break-even analysis is done to show how much money is needed in a budget to pull off an event.

A festival has a budget that is overseen by the festival management. The festival management budget is divided into each department where each department works with their share of the budget. The budget is divided into income and production costs, both income and production costs are divided into subcategories. The major revenue for Luger is the ticket sales, followed by food and beverage and sponsorship revenues. The budgeting part for cost is based on production of the festival, and is further broken down into different parts such as artist fees and advertising and marketing/PR that are not classified as production costs, they are categorized as expenses. (Niklas T.)

The budget for example for Way Out West is divided into four phases: budget, working progress (WIP), actual, and final. Phase one is what the company thinks will be the outcome in monetary terms (Niklas T.). By using last year's budget, they learn from their mistakes to reduce recurrences of unanticipated costs and adjust. Phase two signifies a work in progress step (WIP) where costs quotes are made. According to Niklas T. the purpose for this phase is linked to the fact that projects at the company depend on cooperation with others. Most of the resources Luger uses when putting on events, for example, artists, rented structures etc. have costs associated with them that are determined by quotes that change from time to time (Niklas T.). As an example, it is difficult to guess how much artists will cost too far in advance. Some event artists are secured right before event execution and different artists charge different amounts for performances (Niklas T.). At times, when there is potential to book famous and more well-known artists, those who cost more, and the budget has not accounted for the costs immediate actions are taken to find a way to finance those bookings (Niklas T.). Another way to finance the artist is to take money from other departments, which has been done (Niklas T. & Niklas L.).

After many changes, the outcome is an actual budget a phase during which costs are more stabilized, cost quotes have been finalized. Phase four represent the real budgetary outcome, after Way Out West is done, phase four shows how much the costs really were and how much income was generated (Niklas T.). The controller, Niklas T. works as a contact between every department, making sure that everybody knows the amount of money they have and he makes

sure the correct numbers are being written down. (The budget for Way Out West can be seen in appendix 8.3)

If something unpredictable occurs, members of the team immediately work with it, audit, and report costs (Niklas T.). During the entire project budget process, festival, problems can occur which include discussions surrounding how financial resources should be divided between departments and how the departments use the money, they receive (Niklas T.). According to Niklas T., every department wants to develop their own part and therefore wants to receive as much of the financial resources as possible, but it is difficult and everybody cannot be satisfied because resources are, in the end, limited. In addition, personnel working with pet projects throughout the year also argue their cases for receiving resources to execute them. They do so in an informal forum setting, weekly meeting discussed further on. (Niklas T.).

When it comes to setting budgets, external factors are considered but an external analysis is not created (Niklas T.). According to Kristina consideration is must be taken into account for the state of the market, people have to pay rent, food, and that may lead to that, money is not put on leisure interest when there is a downturn in the economy. Luger accounts for such factors when formulating budgets in the initial phase (Niklas T.). (See appendix 8.3).

The past years Luger have been working with costs, trying to learn from their mistakes and go through the cost carefully (Niklas T.). Way Out West, as a big project, has many of the previously discussed unexpected costs attached to it. In projects with many unexpected costs, money is put aside in case of unexpected occurrences (Niklas T. & Niklas L.). In addition to comparing costs from previous years to gauge upcoming costs, the program Excel is used to calculate revenues and costs. For example, calculations are used for estimating ticket sales, financial results (Niklas L.).

## 4.6 Financial controls

Luger is subjected to a certain amount of pressure from their parent company to perform financially. Since the acquisition of Luger by Live Nation, Luger has been held up to stricter standards, regarding financial controls (Niklas T.). Moreover, Live Nation has a degree of influence over Luger when it comes to the larger budgetary process, they set up financial goals for the coming year which are realistic but that will give the owners profit. The goals are more like changes, improvements, things Luger must rethink about, becoming cost effective (Niklas T.). However, Niklas T. & Niklas L. describes the budgetary goals and revenue goals as fairly lenient. When it comes to the festival management Live Nation is not involved, decisions are discussed in the festival group. According to Niklas L., there is no demand that needs to be fulfilled by the festival management; they have a lot of freedom in their work. Live Nation is not involved in the festival management work. The band between Live Nation and Luger is vague; Niklas L. describes Luger as autonomous.

Luger uses financial measurements to they gain profit to make sure the festival survive. The financial part is important only to make the festival stays around but there are no discussions to set up strict financial goals according to both Niklas T. & Niklas L. The financial measurements are not a driving force, satisfaction factors such as customer satisfaction is more important (Niklas T & Niklas L.). Financial values exist in a different meaning but in bottom line, creating experience-centered projects focusing primarily on monetary aspects not profitable (Niklas L.). According to to Niklas T. & Niklas L. creating an experience combined



with music cannot be created if the focus lies on financial terms. (Niklas T. & Niklas L.). Luger is here to position young music not here to create “Ullevi music”, in other terms gigantic live shows (Niklas L.). Values are being built on other parameters like creating world-class festivals, this value are important for Luger (Niklas L.). However, the financial part cannot be deleted; money is needed to see that festival events for instance survive (Niklas T. & Niklas L.).

## **4.7 Behavioral measures**

### **4.7.1 Performance measures/result controls**

Luger has a demand on providing the parent company with a return as described which can be formed as a formal result. However, at Luger informal performance measures are emphasized in ensuring survival (authors’ interpretation).

Niklas T. explains that every week meetings are held were discussions take place about what each employee is doing and what yet needs to be done. Meetings are an important part of arranging an event, as Niklas T. articulates. The meetings are informal in nature, there is no particular employee heading up the meetings (Niklas T.). They function as a discussion forum but also as a way of measuring performance (authors’ interpretation). In that, projects like festival organization require coordination among employees the meetings vital to checking if everyone is doing what needs to be done during all phases of a project. (Niklas T.). The festival management discusses and evaluates how much has been accomplished, and what deadlines have been met (Niklas T. & Niklas L.).

In that co-creation is major key factor in creating festival events, as mentioned feedback from event attendants is actively sought out (Niklas L. & Niklas T.). There are four surveys that are executed with visitors one focusing solely on experience and willingness to pay (Niklas T.). Using this survey, Luger has better understand on what visitors already appreciate about a festival and what they appreciate less (Niklas L.). The visitors are not Luger’s only co-creators, the preferences of artists are measured. All the hard work the employees put into festival events, is measured through feedback they receive through surveys and interviews with their co-creators (Niklas L. & Niklas T.). There are no measures in place for performance based on sales figures, or visitors that attend (Niklas T.). Performance is measured based not only on customer satisfaction but, as suggested, the success of the experience created. The surveys conducted while useful, do not allow for active dialogue with e.g. visitors (Niklas T.). To keep their co-creators involved in the process of creation, Luger uses forums on social media web pages (authors’ observation). Through Facebook people can write about their experience, satisfactions, and make suggestions for improvements (Niklas L. & Niklas T.). Luger uses social media to measures their performance and gage if their vision is in fruition and strategic and operative goals have been met (Niklas L.).

### **4.7.2 Action controls**

According to Niklas T. & Niklas L., there are not strict action controls in place at Luger. Pre-action reviews and administrative constraints exist in that Luger employees are obliged to

propose certain projects to Live Nation Sweden that have been accesses to be particularly risky which often means that the projects are costly and complex (Niklas T.). Project calculations, calculations concerning the estimated costs and revenues associated with a prospective project, are made prior to the presentation of these projects to Live Nation (Niklas T.). Live Nation then calculates the risk of a project and green-lights or rejects the project (Niklas T.). However, again the subsidiary is often given a lot of flexibility in deciding what projects they wish to pursue. In that the organizational structure of the company is flat where horizontal communication and collaboration are the mode of communication encouraged. (Niklas T.). Other types of pre-action review, such as the disapproval of employee action in the form of a superior requiring a stamp of approval be on actions within the company are non-existent (Niklas T. & Niklas L.). The weekly meetings forum acts as a check instead to actions taken by individuals at the company (Niklas L.). Luger has very flexible rules regarding action accountability (Niklas T.). The company does not have formal policy and procedure documents featuring rules for how employees should behave and outlining consequences for unfavorable actions taken by employees. Thus, no such documents are the basis for rewards or penalization (Niklas T. & Niklas L.). Action accountability is measures tacitly (Niklas T.). There is an informally communicated understanding that certain event details, such as the confirmation of an artist on a program, are to be kept confidential (Niklas T.). Being that the company is quite small, only eleven persons are employed full time, communal adherence to the unspoken confidentiality clause is reinforced by the fact that employees know each other so well and the culture of the organization is family-oriented. (Niklas L.). There are no physical constraints in place at the company. Employees use a collective server where most information is accessible to all (Niklas L.). However, a separation of duties pre-exposes individuals to certain information that others do not generally have access to (Niklas L.). For example, the controller's duties limit access to information that the vice president might have. Temporary employees of the company brought in to assist during festival season and festival volunteers, however, don't have access to all company information. (Niklas T.). This restriction may be viewed as being a physical constraint, prohibiting them from access (authors' interpretation).

## **4.8 Social controls**

### **4.8.1 Culture**

According to Niklas T., employees at Luger are not, the ones who "hang their ties and go home" they socialize with each other after work. They consider the company a small family that works as a team, helping each other and learning from each other. Luger employees are devoted to their work and very passionate in creating experiences for others and working with their passion for music. The primary motivation for the employees is working with something they love (Niklas T.). The environment is highly creative and innovative and the respondents at Luger cite that this type of environment drives employees (Niklas T. & Niklas L.). More specifically, the employees found that their motivations arise internally, that they are motivated to do better by each other, and that a creative innovative environment feeds their motivation to do outstanding work (Niklas L.). The respondents linked performance to social interaction; if they didn't perform others would suffer (Niklas L. & Niklas T.). The passion they feel for event management has brought them where they are today, there are employees who started their carriers as volunteers at festivals and now work at Luger creating festival experiences (Niklas L.).

## **4.8.2 Organizational learning and information flow**

As the work of creating Way Out West is based on teamwork, information is easily spread among the festival management through their meetings (Niklas T.). Everybody makes mistakes and the best way to prevent them from occurring again is to learn from them. (Niklas L., Niklas T. & Kristina E.). The company utilizes the wealth of knowledge provided by external stakeholders such as festival goers, environmental experts, in order to consistently learn and grow (Niklas T.). Collaboration with the visitors is a valuable factor for organizational learning and to gain information (Niklas L.). Not only are internal mistakes important to learn from but also external mistakes, such as taking a glance at competitors' mistakes (Niklas L.). Learning from them and their mistakes and occurred problems are valuable knowledge for Luger, creating an opportunity not to fall into a pattern of repeating problems. (Niklas L. & Niklas T.). The respondents claim that the company want to evolve and does this not by focusing on fixing but on learning. In regard to cost allocation and expenditures, Luger uses event budgets as a learning process. (Niklas L. & Niklas T.). In a precarious environment such as the one Luger works in with regard to costs, learning from past experiences is the best way of calculating future expenditures according to the respondents (Niklas L. & Niklas T.).

The communication at Luger is described as informal (Niklas T.). The information flow on the whole, is described as feed-forward as the meetings are think tanks where new ideas are encouraged and central to their existence (Niklas T. & Niklas L.). Although, when festival season approaches and festival management is in charge of temporary employees or when inexperienced volunteers are working at events feedback information flow is common (Niklas L.).

## **4.9 Rewards and evaluating events**

### **4.9.1 Rewards**

There is no formal reward system at Luger such as bonus; the only reward according to Niklas T. is to work with something you love, something you feel passionate about. To be in a process of creativity and music combined together is the reward according to Niklas T. Create an experience that people appreciate and value is reward worthy more than a bonus. (Niklas T.).

Volunteer workers do get a reward for their work not in monetary terms such as money, but the volunteers who work are there, according to Niklas T. & Niklas L., to experience the process of creating a festival, to get a feeling how it is to work in the branch. Volunteers are motivated according to the interviewees at Luger by receiving valuable knowledge about the music branch (Niklas L.). In addition, they receive a festival ticket and food and beverage. This form of compensation or reward is viewed not only as standard in the branch but, according to Luger, key to the survival of their operation because of the outstanding costs linked to festival event production (Niklas L.). The volunteer respondents consulted, identified ticket compensation as sufficient.

## 4.9.2 Evaluation

Under a long time, discussions after receiving massive criticism from visitors about not getting in to the clubs at the festival event, Way Out West, made Luger question the value of the club concerts at the festival (Niklas L.). According to Niklas L., if the club component is not appreciated it might as well be removed. However, when evaluating event elements such as this one also takes into account the whole picture. Club concerts according to Niklas L. are a way of celebrating the city. Luger has to measure how important this part is for the company, for the visitors, and for the community and be able to respond this kind of criticism (Niklas L.).

Evaluation is an important process for Luger. It is separately done with external stakeholders and visitors. (Niklas T.). Evaluations with external stakeholders is held through meetings where discussions take place, on how the whole collaboration process has been, what went wrong, and why and what needs to be improved (Niklas T.). The information collected at meetings with for instance city representatives, Park and Recreation collaborators, police etc. helps Luger to improve as an event arranger but also make relationships with external stronger and based on mutual trust. (Niklas T. & Kristina E.). The nature of the event coordinator's operation, one where operation depends on the success of large projects, dictates that post-event evaluation be done (Niklas L.). Other companies might evaluate and adjust operations in a way that is not necessarily associated with phases. But, Luger focuses a lot on evaluation of operations right after project completion (Niklas T.).

## 4.10 Stakeholders

All respondents empathized that in creating public events there is no "one man show" in preparing a big event such as a festival; all the external stakeholders and Luger have a common interest to develop and improve events that benefit the local community. Therefore, there is no particular interested party that controls the details. (Niklas T., Niklas L. & Kristina E.).

*"Our strategy is to identify the best imaginable partners for our operation and link them to the right projects and appropriate tools"*

Luger.se

According to all respondents, cooperation is key to putting on events. In their teamwork with Park and Recreation, the collaboration is described as win-win. (Niklas L., Niklas T. & Kristina E.). Luger renting the Slottskogen park where Way Out West takes place pays a fee covering the park own costs associated with the event, additional animal keepers and security for the animals is needed (Niklas T. & Kristina E.). In addition, the fee paid to the park is bonus money for the park used for making improvements to the park (Kristina E.). However, Kristina points out that in collaborations with event companies stakeholders win in other ways. The event acts as an advertisement for the locale, a public park and the greater city. Luger, is given access to a resource, the park, that is ideal for their event (Kristina E.).

Additionally, the event organizer's receives PR from Gothenburg and Company, who works with the image of Gothenburg as a tourist attraction. Banners about the event are supplied by the tourism organizations and in return, the city is given access to associating with the strong brand name, Way Out West, that Luger has created and thus Luger provides advertisement for

the city. The popularity of the event, driving tourists to the city, also benefits the local economy (Kristina E.).

There is no formal negotiation between stakeholders such as the city and park and Luger, the only contracts that are signed are with sponsors and suppliers but there is no standard form or certain contract period (Kristina E. & Niklas T.). Luger is dependent on their stakeholder, it's with their help that they put on the event described here (Niklas T.).

Sponsor collaboration is also described as based on a symbiotic relationship. The sponsors provide funds to events and in return receive public PR. In addition, some sponsors set up activities or dole out free products which respondents mention adds to event experience. (Niklas T. & Niklas L.).

The relationship with visitors has been explicated, but a music event company also relies on good relations with artists (Niklas L.). The artists should be pleased when they arrive, it's an experience for them too and they should be welcomed in a good way and their needs should be taken care of. (Niklas T.).

Volunteers, as another important external stakeholder identified have no contract, in order to work as a volunteer he or she must be eighteen, a registration needs to be done at the website, there the person fill in what they prefer to work with in connection to events. Luger, emphasized that volunteers must also feel sufficiently taken care of and compensated and rely on feedback from them as well to gauge if they feel so. In addition, they identified volunteers as an important element in the experience of event visitors (Niklas L.).

## 5-Discussion

*The following chapter discusses important findings that were revealed in the empirics. Not every aspect and detail about the MCS at Luger is highlighted here. We do not attempt to classify the empirics too much, labeling every type of control used. Rather, we hope that a general impression is given as to how the event company formulates controls and that the reader is then able to interpret the feedback through the theoretical filter presented in the study.*

### 5.1 Informality/formality of controls at Luger

The theory laid out in this thesis brings up the ongoing discussion among theoreticians about a shift in management control literature, placing more accentuation on informally communicated measures (Kullvén & Mattsson 1993). Some researchers claim that less formal and more informal measures should be incorporated at companies as a shift in what constitutes SCA has occurred. Others, highlight that this shift has already occurred at companies, that an evolution of management control types in practice has changed the face of MCSs (Almqvist & Skoog 2006) and that literature on management controls needs to catch up (Ax, Johansson & Kullvén 2009). The shift in practice, as detailed in the theoretical framework, can be attributed to shifts in industry types i.e. from industrial heavy industries to industries whose resources are more intangible and information-based (Almqvist & Skoog 2006). In addition the shift also suggests that companies that are more service/information centered tend to have more innovative/creative settings (Otley 1994).

Formal controls as defined in the theory suggest these controls tend to be more strictly followed, where pressure associated with clearly articulated measures, as defined by an organization, are placed on employees so that they e.g. perform or use resources efficiently and in line with corporate policy (Merchant & Van der Stede 2007). Informal measures generally include organizational learning and culture. While formal measures include budgeting, result planning, benchmarking, and other financial controls (Ax, Johansson, & Kullvén 2009). Understanding formal and informal measures in terms of their classifications and the inflexibility (formal) and flexibility (informal) or these metrics, one can draw conclusions about the degree of informality/formality of measures at Luger. The empirics suggest that social controls are used more in steering staff towards objectives. The culture is relaxed, employees interact professionally and privately. They think of themselves as a family. However, in a familiar setting expectations related to performance can be socially driven (Merchant & Van der Stede 2007). The respondents suggested that if someone isn't pulling their weight, others suffer. The communal environment is what puts pressure on employees to perform, more so than e.g. formulaic result planning. There are not many formal/inflexible controls mentioned in connection with the event company. Even so-called deadlines are articulated and then somewhat ignored. The empirical data attributes this to the fact that goals are extremely short-term and dependence on other stakeholders' time frames is a fact. Formal deadlines are set up at the company and linked to efficacy, an identified KSF. However, no formal equative measures follow up efficiency.

Action controls at Luger are almost non-existent. These can often be considered more inflexible goals that place emphasis on distrust of employees (Davis, J, Schoorman, D & Donaldson, D, 1997). In an environment such as the one Luger is suggested to be,

innovative/creative autonomy and trust is part of the equation. One of the formal measures brought up in connection with action-controls regarded pre-action review of certain Luger projects by Live Nation Sweden. While freedom in project choice is given often to the subsidiary, risky projects must be presented to the parent, they must present calculations and estimates of cost to Live Nation. This measure can be viewed as a formal more inflexible measure in that Luger is required to submit formal proposals to Live Nation. Furthermore, the formal communication that takes place in such an exchange solidifies a sense of hierarchy in the inter-organizational structure. Another formal financial control in place at the company regards the revenue requirements placed on Luger by Live Nation. In an abstract way, Luger respondents suggested that they are required to produce revenue for the parent company. However, these requirements are not strict and generally in risk assessment of projects Live Nation trusts in subsidiary to make decisions. Luger is not obligated to produce particular revenue numbers. Rather, Live Nation recognizes that steadfast revenue production pressures might ruin Luger's innovative and creative spirit. Innovation/Creativity as suggested by in the theory chapter is often synonymous with more flexible informal types of management. The reoccurring emphasis on innovation/creativity manifests itself in various ways at the company and is brought up throughout this discussion in various ways.

## 5.2 Performance at Luger

One of the most interesting findings in this study is related to performance measures. Traditionally articulated measures of performance e.g. KPI<sup>20</sup>, revenue margins, financial indicators, variance analysis are not dominant at the company studied (Almquist & Skoog 2006). Instead, Luger bases their performance primarily on experience. This might seem like an abstract concept and somewhat convoluted. The theory presented explicated the idea of experience offerings to give the reader an idea of what is meant in the context of Luger's economic offering when the authors refer to experience services. While, this concept is vague, the way in which Luger implements a strategy associated with experience is not so much. Making connections with the literature, one can postulate that an experience offering is a fairly new type of offering. Luger articulates in many ways and through many elements of their MCS, e.g. strategy, vision, operational goals, budget (discussed in more detail further on) that a unique experience as defined by Pine & Gilmore (1999) drives forward this economic offering's emphases. Referring back to their performance, they implement their gravitas towards experience in that they base employee performance largely on feedback they receive back from stakeholders such as artist to event visitors on what specific elements on an experience they enjoyed and what elements need to be improved upon. They use the information to assess what they can learn from the input, and if weakness in experience can be associated with a particular area, maybe department related, then the employees try to improve performance in that area. Communication about performance is relayed via meetings. These meetings are a forum where information is exchanged, social pressure for performance culminates, and employees are informed about what is happening in project phases. The meeting setting is informal which can be said to be a manifestation of their organizational culture or perhaps a result of the informality of many of their management controls. The performance measures related to feedback are also associated with feedback from stakeholders about the process itself, related to the project phases. How well was the project executed? Surveys, Facebook, feedback, and stakeholder caucuses are the ways in which

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<sup>20</sup> KPI: key performance indicator

feedback is generally supplied by investing stakeholders e.g. & sponsors, Gothenburg & Co. and festival goers.

In the theoretical framework, motivation for performance in innovative/creative environments was linked to an intrinsic motivational source (Amabile 1997). Formal reward systems are generally present in traditional organizational environments, as defined by (Ax, Johansson, & Kullvén 2009). At Luger, employees are not given monetary compensation based on solid performance metrics. Instead, motivation for performance is linked to what Amabile (1997) refers to intrinsic motivations. The respondents articulate that they are involved in projects because they are passionate about them. Andersson, Larson, & Mossberg (2009) assert that at many event companies motivation is fettered to the entrepreneurial spirit of many employees. They suggest that, in any case, leadership's motivation arises from the fact that some projects are their babies, that they started certain events and are therefore personally invested (Andersson, Larson, & Mossberg 2009). But, again another link to how employee motivation can be intrinsic in nature related is to the innovative/creative scenery. All the respondents asked at the company, said Luger is a great place to work, freedom, passion, autonomy given to them, motivate to do one's best. Their autonomous working environment was linked often to reliance among employees on other's competency. The respondents felt that everyone at Luger was talented, able to follow gut feelings in choice of projects and music tastes, a foundation to their creativity and innovativeness and what allows them to operate so autonomously internally and in their relations with Live Nation.

Event volunteer motivations for performance were highlighted in Getz (1997) as being often linked to social interaction and working experience. Both the asked volunteers and the respondents at Luger cited these motivations as primary to the volunteer experience. However, the tangible compensation they receive in the form of a ticket to event (festival) festivities and food and beverage. Rewards and compensation like this is typical to the event branch (Andersson, Larson, & Mossberg 2009). Getz (1997) ascertains that the event industry must utilize volunteer work in order to make money. The respondents suggested that if they were unable to receive help from volunteers, their already astronomical costs, would leave them unable to make money. In any case, the motivations, according to all the respondents asked in this study, suggests that volunteer motivations for partaking in event activities and performing are linked mostly to garnering work experience and partaking themselves in an event experience.

### **5.3 Budgeting**

The utilization of budgets is considered a formal control (Ax, Johansson, & Kullvén 2009). The description of Luger's budgets suggests that they use a type of revised budget system. The budget system used at Luger is not inflexible; rather budgets are altered as needed. What is unique to the operations, linked to project-oriented organization, is that such companies have many budgets that a project-centered, divisional, and company-based (Cleland & Ireland 2006). This is the case at Luger. The use of this formal control appears to be the primary formal control, as defined by Ax, Johansson & Kullvén (2009) utilized at the company according the respondents. Budgets are used as a planning tool at Luger. They delineate what important resources or expenditures make up an experience. In addition, in the discussion about costs/revenues at the company and budgets, the respondents suggest that a break-even approach towards budgeting is applied. Bowdin et al. (2003) affirms that many event organizations are not so much focused on cost-reduction when planning budgets. Rather, the



authors identify event budgets with budgets whose focus is on how many resources are needed to pull off events (Bowdin et al, 2003). Ax, Johansson, & Kullvén ascribe this as being a satisfaction model for dealing with costs. The main goal is to make sure costs don't outweigh revenue. At Luger, the budgeting focus is synonymous with the model mentioned. Furthermore, budgeting work is, like other event companies, focused on what is needed to realize a project e.g. the respondents say that if a million dollars is needed for a project, they don't focus on what they don't have and try to bring down WIP costs associated with a project. Instead, they focus on acquiring additional resources, as cost reduction tactics in this regard would compromise the quality of the experience they are attempt to create.

In the informal setting of weekly meetings, project teams working on for instance festival event projects and discuss what elements of the budget are not essential to creating dynamic and innovative experiences. Modifications to an event budget result from discussions about what the team should spend more or less on to improve upon the event experience. This suggests a strong connect exists between budgets and experience creation.

Some issues can be associated with the reallocation of resources during this planning process namely, game playing might occur, which is a phenomena which occurs when employees fight for resources that benefit them. The respondent indicated that such issues arise but that they are mitigated through the democratic process of allocation that occurs at meetings.

Another important utility of the budgetary process as suggested by the respondents is that it promotes learning at the organization. Being that many of the events organized by the company have not been in existence for many years, the budgets are used to guide future expenditures, the organization learns what costs are incurred when planning and executing these events and can anticipate them in the future. Generally, budgets being also diagnostic in nature are "the prototypical feedback system used to track variances from preset goals and manage by exception" (Simons, R, 1994). There are inherent uncertainties associated with project management and risk management in accessing new projects (Akinson, Crawford & Ward 2007). Therefore, budgets are often used at project organizations such as Luger to help alleviate uncertainties by using budgets as a diagnostic tool. Budgetary information at Luger is for instance used to access the risk and profitability of a proposed project, limiting uncertainties and as a mode of feedback to Live Nation. As Luger is a company that expressively values creativity and innovation, one might argue that the budgets as formal controls delimit creativity and innovation (Amabile 1997). However, in the case of Luger the budgetary process is not primarily diagnostic. The constant dialogue between colleagues that occurs at Luger leads one to believe that the budget is an interactive arena used for planning and promoting organizational learning (Simons, 1994).

In addition, budgets are used to propel the co-creation process forward at the company. Feedback from visitors is not only utilized to access performance levels but also as a gauge for what resources Luger should be allocating to what areas. They co-create future endeavors with the same events, by using feedback given by visitors to reassess what to spend on the next time an event takes place. Thus, visitors have a direct impact on budgeting as a formal resource control. They, along with Luger staff, reallocate resources that translate into co-creating an event in the stages of the projects to come.

Lastly, budgets are fused to organizational learning at the company. Luger employee response suggests the focus for resources is future-oriented, that Luger does not bog down in fixing cost and revenue problems. These issues are brought up but the focus is on experience service

improvement and innovation. Innovative offerings, according to company, lead to financial successes. However, one might question whether this focus on innovation and not costs can be a symptom of company size or product-life cycle.

## **5.4 Co-Creation and experience**

It has already been mentioned what co-creation and experience are integrated into Luger's management control system. Here we discuss in further detail how they come into play at the organization studied. Pine & Gilmore (1999) anticipated a shift in economic offerings that would have an effect on strategies and SCA at companies. This shift is exemplified in Luger. Their core focus as spelled out in their strategic goals, mission and vision, and even operational goals are linked to experience creation and also co-creation with their gurus, artists and fans of music. As mentioned earlier, they incorporate these ideals into their operations by relying heavily on feedback from visitors and artists and co-create future experiences based on responses. Feedback is not stagnate, yes surveys are collected, but social media allows Luger to have ongoing conversations with visitors and artists in regards to the endeavors of the company and measure most often experience related elements of their services, in surveys that equate experience with willingness to pay. The empirics suggest that experience creation is the focus of budgeting, performance, and targeting. They also reveal, along with the theoretical framework that experience creation takes place in innovative/creative working environments.

## **5.5 Luger as a project organization**

Project organizations are often organizations that work towards goals and have time-limitations placed upon them, projects are often expected to be done within a time frame (Ax, Johansson, & Kullvén). This is the case at Luger. However, as previously stated deadlines at Luger are laidback. Deadlines at the organization are used more as a communicative informative measure, keeping everyone updated on the progress of division so that they are better able to coordinate. However, the nature of their operations is associated with the phases highlighted in this study. Evaluation thus is essential in decision making for the future of projects. The respondents exemplify that Luger confirms with many individuals after a project is completed in order to access how successful a particular project was. Often, as shown in the empirical data, evaluation not only involved what went wrong and how to better use resources. Many perspectives must be considered. Even, if an element of a project might not be viewed as profitable to the company e.g. club concerts, stakeholders, communal associations determine whether that element will exist in the future. They might be persistent in club concert existence, as it is beneficial to the greater community.

## **5.6 Stakeholders**

Reliance on external stakeholders, as highlighted above, is a common at Luger and at event companies (Getz 1997). The organizational structure at Luger typifies the importance of relationships with external stakeholders, the stakeholders highlighted by Andersson, Larson, & Mossberg (2009). The organizational structure at Luger is described as a flat and simple at certain times when large event planning and execution is not taking place. However, when functional divisions are formed when a larger festival is being planned and during the

remainder of the time, Luger relies on a small staff to execute individual projects. In order to execute large projects they must rely on a large network of contacts. What Bowdin et al. (2003) describes as a virtual or network organization, one that pops up when needed and relies on external stakeholders to realize something at a company seems apparent at Luger. Luger's simple structure swells during the phases of a large event. What is interesting particular to the result found in the empirics is that when this occurs the flat organizational patterns alters. A hierarchy seems to spring up when the company is planning large events. The functional departments are formed; people head up those divisions and externally recruited employees work under the divisions. The pop up hierarchy might be explained by the fact that the complexity of large public events necessitates that more responsibility be delegated and thus someone might need to be in charge.

The stakeholder relations are not only defined at Luger by reliance on them in forming virtual organizations. They also rely on stakeholder such as sponsors to provide finance to an event. The symbiotic relationship described in the empirics suggests not a struggle over resources between many stakeholders and Luger. But, rather that, in the particular environment, Luger receives resources and provides them simultaneously. However, power distribution in control over resources may not always be equal. Andersson, Larson & Mossberg (2009) suggest that, in event production and the receiving and giving of resources, a power struggle can occur. External stakeholders such as public officials and sponsors expect something of events in order to deem it worthwhile for them at infuse event production with resources and allow for events to occur. Politics at time can have an effect on the way in which resources are used as suggested by the narrative concerning club concerts. For instance, event companies often have power in negotiation with restaurateurs and sponsors in that access to a particular event is limited and controlled by the company and if access is to be granted then more resources are expected to be supplied to the event organization (Andersson, Larson, & Mossberg 2009). The power dialogue is one that is a complex topic. However what was gathered in the empirical data, detailed through conversation with an external stakeholder at Park and Recreation and Luger is that the relationships between Luger and its stakeholders is mostly give-give.

Luger identified one of the primary key success factors as being credibility. Their relations with stakeholders in resource assistance and labor signify one of the main focal points of their operations. Harking back to Andersson, Larson, & Mossberg (2009), event companies are highly dependent upon relationships with others external to the company. Their competence in building up those relationships is cited by Luger as essential to the overall success of the company. Not only do they depend on resource acquisition from certain stakeholders, but specifically they do not have many tangible resources themselves so supplier reliance is great. By taking measures to nurture their relationships they are able to get resources they need.

## 6-Conclusions

*You have reached the final chapter in this thesis which begins with a small conclusion answering the research questions and the purpose of this study. The thesis thereby ends with suggestions for future research.*

What are the features of the MCS at an event organization, and how does it function?

What effect does the particular experience orientation of this kind of organization have on the design of its MCS?

What was discovered in this study is that the event company analyzed offers an experience service that affects the formulation of performance measures, budgeting, strategy, vision and mission and other goals. Moreover, the data presented suggests that the company's identification as a project and network dependent organization has effects on how the management control system is conveyed at the company. Lastly, it was discovered that the more informal/flexible measures than formal/inflexible measures were used at Luger. This was related to the innovative and creative environment in which the event employees operate.

The empirical data suggests that there is a strong linkage between the study object's experience orientation and management controls. At the most basic level, the mission, vision, and goals of both the organization and the individual event studied are heavily influenced by experience orientation. It seems that macro and micro goals focus on providing customers, artist, and other stakeholders with memorable personal experiences and don't focus necessarily on service as an economic offering. The company's experience orientation seems to push forward the way resources are managed as there is a heavy emphasis on co-creation, between event goers, artist, etc. and Luger. Adjustments are made to how much and how resources are allocated with the purpose of improving experiences which in itself exhibits a strong link between experience creation and the management of the company's economy.

It is difficult to say if these finding about how management control measures, articulated at an event company, reflect how event companies generally formulate MCSs. However, the study contributes to the limited qualitative researcher about event companies operations. In that shifts in economic offerings have been linked in this essay to developments in management control theory, the study might contribute to a discussion about how management should be altered to fit experience service environments although, more research needs to be done on how much effect experience-orientation has on management controls, if the relationship between the two is tenuous or strong and what this might mean for MCS literature.

### 6.1 Future research

More research in general should be conducted about the event industry. As, we have suggested, there are few studies about the how event companies manage their resources. A study conducted taking a look at event companies' management controls across levels, analyzing more closely the relationship a company like Luger has with Live Nation might be an interesting area of inquiry. One could perhaps explore other event companies' link to Live Nation and how they are affected by the parent, across time.

Another suggestion is to focus more narrowly on one element of event companies' control systems and compare between companies to broaden the understanding of whether certain phenomena are isolated to a particular company. One might, for instance, explore budgeting practices at several event companies.

In addition it might be interesting to explore the possibility for formulating a model for cost classifications based on experience offerings at event companies, as was the initial intention of this thesis. **Background:** Activity based cost management assumes that costs are derived from activities at a company. McNair & Polutnik (2001) suggests that it remains unclear whether or how this approach, focused on dividing costs into value added and non-value added categories, is embedded in the customer's perspective. Andersson & Carlbäck (2009) present an alternative model for classifying costs based on experience creation. They suggest that the match between value created and costs that are associated with producing value are strongly related to experience. They claims that in experience oriented organizations, such as the one studied here, there is a strong case for altering cost account classifications used traditionally at these companies. One might organize costs by which costs create important value in experiences. A suggestion for future research might be explore the potential for changing the accounting system at companies like the one presented in this case study so that the cost management control can be more proficiently linked to experience creation. As it is now, Luger classifies costs into more traditional categories.

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## 8.1 Appendix

### Pilot study

Question 1-4 are both for visitors and for volunteers.

1. Gender?
2. Age?
3. Occupation?
4. Music interest, Chose on from the table:

Rock	Electro music	Blues
Hip Hop	Folk	Jazz
R&B	World	Soul
Indie	Country	Other
Pop		

Questions for visitors

5. What expectations did you had before the festival?
6. Did the festival experience live up to your expectations?
7. How was the festival a positive/negative experience?
8. Have you repeated your visit to the same festival (Way Out West)?
9. What made you repeat your visit? Motivate!
10. How important is the atmosphere at the festival? 1-10
11. How important is the service at the festival? 1-10  
How could the experience be improved?

## 8.2-Appendix

### Questions for volunteers

1. What expectations did you had on your assignments?
2. What were your assignments as volunteers during the festival?
3. Why did you applied as a volunteer? What motivated you?
4. What motivated you into doing a good job?
5. What was expected from you, work performance by the company?
6. How strict was their policies?
7. How did the management treat you?
8. Did you receive any compensation? Rewards?
9. Was it worth working as a volunteer? Why?
10. Do you plan to come back and work again as a volunteer? Why?
11. Did you experience strict work routines? Explain!
12. Did you experience during your time as a volunteer that you worked alone or was it in teams?
13. How was the group dynamic in the organization you worked for? Explain!
14. What was positive/negative about your assignments?

# 8.3-Appendix



01/2011-10-04

## Way Out West, 2010, 2-day festival

	Real 2007	Real 2010	Budget 2011	W/F 2011	Actual 2011
<b>REVENUE</b>					
Ticket Sales					
Specialty/Individual Ticket sales					
Concessions & Merchandise					
Merchandise					
Sponsorship Revenue					
Sponsorship - Expenses					
Merch. Event Revenue					
	\$0K	\$0K	\$0K	\$0K	\$0K
<b>EXPENSES</b>					
Real 2007		Actual 2010	Budget 2011	W/F 2011	Actual 2011
Stage & Structure - A					
Management & General					
Production & Special Effects - C					
Production & Production					
Production - A					
Production - C					
Site Environment/Event Services - B					
Construction - C					
Construction - A					
Site & Structure - B					
Production & Special Effects - B					
Production & Production					
Production - C					
Security, Fire, Police & Medical - B					
Accommodation, Food & Beverage - C					
Travel, Lodging, Grounds & Utilities - C					
Production & Production					
Other					
	\$0K	\$0K	\$0K	\$0K	\$0K
<b>TOTAL PRODUCTION</b>	\$0K	\$0K	\$0K	\$0K	\$0K
<b>Other Items</b>					
Advertising, Marketing & PR					
Event Insurance/Expense					
Ticket printing					
	\$0K	\$0K	\$0K	\$0K	\$0K
<b>Budget Adjustment</b>					
	\$0K	\$0K	\$0K	\$0K	\$0K
<b>TOTAL EXPENSES</b>	\$0K	\$0K	\$0K	\$0K	\$0K
<b>NET PROFIT / (LOSS)</b>	\$0K	\$0K	\$0K	\$0K	\$0K

## Interview guides

### **Kristina Edfeldt**

- Describe the relationship between Luger and park and recreation?
  - Explain the process, before and after.
- What does the collaboration provide for the park? How?
- Does the collaboration affect the parks, own costs? Why and how?
- Are there any targets to achieve during the collaboration?
- Any demands from you or from Luger during the cooperation?
- Does the cooperation give any risks? How does the park solve them?

### **Niklas Tengvall and Niklas Lundell**

- What are the targets for the company?
  - For the festival?
  - Financial/non-financial?
  - Who sets the targets?
- Do you use performance measurements?
  - How do you measure?
  - For what are they used?
- Budget: any goals combined with budget?
  - How is the budget used?
  - Any problems?
  - Does Live Nation affect the budget?
  - Are any calculations used?
- How is the relationship between Luger and Live Nation?
  - Horizontal?
  - Vertical?
- How is the organization structure at Luger?
- Does Luger have responsibility entities?
  - What responsibilities are they in each entity?
- Strategy: can you describe Luger's strategy?
  - What is the festival strategy?
- What is Luger's/the festival vision and mission?
- Any policies, rules that need to be followed, by employees, volunteers?
- How do you involve volunteers in the organization? Any demands?
- How is the social environment at Luger?
- How do motivate employees and volunteers at Luger?
- Any reward system?
- Can you describe the collaboration with stakeholders?
  - Any demands from you or them?
  - Do measure the collaboration, like evaluation, surveys?